City of London: preparing for 'Big Bang', Page 10

EUROPE'S BUSINESS NEWSPAPER

Monday October 20 1986

D 8523 B

World news

Israelis Viacom hold 3 for agrees to \$2.9bn grenade · attack

nesday's grenade attack in Jerusalem in which one person was killed

Arab neighbourhoods surrounding the Wailing Wall - Judaism's most holy site - where the attack took place, were detained last Thursday afternoon and early on Friday.

They were said to have confessed being members of the radical Islamic Jihad group, not the mainstream Palestine Liberation Organsiation whose claim of responsibility sparked off last week's bloody cycle The hunt for the gang's ringleaders was said to be still continuing.

Four die in Punjab

Four people were shot dead in Punjab by suspected Sikh extremists as India's main Hindu opposition group claimed that Prime Minister Rajiv Gandhi had failed to restore peace to the northern state.

Manila ceasefire call

Philippine government representatives and communist envoys have resumed talks aimed at forging a nationwide ceasefire to the 17 yearold insurgency. The talks coincided with the release of two soldiers captured by communist guerrillas three weeks ago.

Greek elections

Greece's conservative New Democracy (ND) opposition appeared set to capture Athens, Piracus and Sal-Party (Pasok) in run-off elections ties around the country.

Air passengers hurt

Six passengers were injured when a Scandinavian Airlines System (SAS) aircraft made an emergency landing at Kastrup airport. Copen-

Peace talks ruled out

President Yoweri Museveni of

ce with northern rebels and from \$87.3m, or \$1.45 said his government was determined to wipe out insurgency in all BANKAMPRICA Corporation, fi-

Moscow visit

Danish Prime Minister Poul Schlueter arrives in the Soviet Union tomorrow for a week-long official visit during which he will seek to boost Copenhagen's trade with

Saudi peace mission

Saudi Arabian Crown Prince Abdullah flew from Baghdad to Damas-cus in a new hid to help ease tension between Iraq and Syria.

SA strike ballot

South Africa's National Union of Mineworkers agreed to resume wage negotiations with employers but went ahead with plans for a strike ballot among the union's

Doctors strike

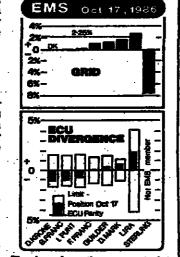
Bangladesh shut eight medical colleges as a strike by more than 8,000 state-employed doctors and medical students over job guarantees continued to paralyse hospitals.

Australia wins cup

buyout Israeli police last night announced the arrest of three Palestinians accused of responsibility for last Wed-

has been the subject of frequent takeover speculation, has agreed to a \$2.9bn management buy-out. Page

EUROPEAN Monetary System: The Belgian franc lost ground last week and was placed with the Danish krone as the weakest currency. It was slightly above its worst level, er, helped by limited central bank intervention. A renewed fall



on European Monetary System ex-change rates. The upper grid, based on the weakest currency in the sys-tem, defines the cross rates from which no currency (except the lina) may move more than 2% per cent. The lower chart gives each curren-cie discoverse from its "pentar! cy's divergence from its central rate against the European Curren cy Unit (ECU), itself a basket of Eu-ropean currencies.

in the value of the dollar and a subequent move into the West German D-Mark increased pressure on the weaker members. The franc and the krone were trading well within their allowed Ecu spreads, both at 51 per cent of their mexi-mum divergence spreads.

AMR, perent company of American Airlines, second largest carrier in US, boosted third-quarter earnings Uganda has ruled out a peace con- to a record \$115.7m, or \$1.83 a share time. Page 19

owned glass and engineering group, announced that its French opera-tions returned to profit in the Jamary-June period for the first time in

four years. Page 20 PHILIPPINES will be seeking terms more favourable than those granted to Mexico when it begins ebt rescheduling negotiations with 383 commercial bank creditors next week in New York. Page 5

CATERPILLAR, world's largest maker of earthmoving equipment, plunged into the red for the third quarter, although it maintained its sales level at \$1.8bn. Page 20

CONRAD BLACK, Canadian financier, is to enlarge his North American publishing interests through the purchase by the Toronto-based Hollinger group of 34 daily and weekly papers in the US and Cana-da. Page 29

DIAMOND SHAMROCK, integrat-

ed US oil company, expects to report a loss of about \$95m in the third quarter. Page 20

Australia beat England 2-1 in the fi-nal of the hockey World Cup in Lon-was launched with the backing of

Players act out stressful Big Bang rehearsal

THE ONLY people you normally find in the City of London's streets on a rainy Saturday morning are 27.

methods of trading for the Big Bang deregulation of business on October out being hot and bothered in a tourists scurrying between St Paul's cathedral and the Tower of London, British Telecom mainte-

end freedom to manoeuvre. Since the five-day week was inof the London Stock Exchange's hot and bothered for the sake of a sions of individuality and golfing at-

DEFENCE MINISTERS of the ma

jor European countries are likely to tell the US tomorrow they have

serious reservations about a total

pull-out of US medium range nu-

clear missles from Europe.

The possibility of a zero option
European missile deal – the with-

drawal by the Americans of their

cruise and Pershing 2 missiles from

Europe in exchange for a Soviet withdrawal of their SS20s in Eu-

rope - was raised a week ago with

the Reykjavik summit between President Ronald Reagan and Mr

be expressed at the Nato Nuclear

Planning Group meeting at Elen eagles in Scotland, which opens to-

a major row if Mr Caspar Wein-berger, the US Defence Secretary,

gives vent to what the Americans

see as Europe's two-faced attitude.

clear weapons following the summit

Some participants seemed em-barrassed by their formal attire as they hurried along the deserted nance workers digging up the road streets in the early morning. Mr and builders exploiting their week- Andrew Jamieson, the finance di-Andrew Jamieson, the finance di-rector of stockbrokers Panmure troduced in the 1960s, the classic his suit because he had been City gent with pin-striped suit and obliged to stay in central London on umbrella has disappeared. But this Friday night. Others found a deeper weekend he re-emerged, in honour rationale. "If we are going to get all

Defence ministers

worried over US

'zero option' plan

BY LIQNEL BARBER IN WASHINGTON AND DAVID BUCHAN IN LONDON

Mr George Shultz, US Secretary

of State, said yesterday there was a good chance of concluding an

agreement with the Soviet Union

He also expressed interest in reports that Moscow might be

prepared to agree to some testing and research of the Star Wars

anti-missile programme outside

Tass, the official Soviet newsagen-

cy, said the diplomats, all of junior

rank, had been engaged in activi-ties incompatible with their official

The Soviet move follows the ex-

pulsion of 25 Soviet diplomats at

diplomats left the US last week.

nuclear weapons tests, Reu-reports from Washington.

for further limiting and mo

out being hot and bothered in a suit," said Mr Brian Carter, of Barclays deZoete Wedd (BZW).

expansive trading rooms of most of Gordon, said he was only wearing the large securities houses which came into use for the first time. However, the US securities houses permitted brightly-coloured opennecked shirts and other expres-

stakes too high in the light of the

Administration's campaign to por-tray the Reykjavik summit as a suc-

The US European rift over Euro-

past week, has, however, under-

mined its efforts to represent Reyk-javik as a potentially enormous breakthrough in arms control.

Mr Shultz and Admiral John

plaints about lack of consulta

wideranging arms proposals ussed at Reykjavík, which in-

Poindexter, national security advis-

er, yesterday addressed European

tion before the summit. They said

in interviews on US television that

dent Reagan to Mr Gorbachev

room only on some of the trains to the south of England Happily, many trains were diverted into the City's Cannon Street station, which is normally closed at weekends. The reason, however, was not a newly-found ability to anticipate customer demand by British Rail, but just engineering works blocking the line to Charing Cross.

Work began early in the tower blocks of the City's eastern wards.

offices, if not the trading floors, of the British firms.

At 7.30am, isolated rows of strip lighting started coming on and shining through the mist and lowlying cloud, as the newly integrated firms of stockbrokers and jobbers (market-makers) prepared to log on for the first time to the stock exchange's Automated Quotations

> The stock exchange set a 9am deadline for the inputting of 30,000 share prices by the market-makers. The prices are intended to show up

Continued on Page 18

GM expected to sell subsidiary in South Africa

BY ANTHONY ROBINSON IN JOHANNESBURG

GENERAL MOTORS is expected to been under periodic review since announce this week the sale of its' South African subsidiary to local interests. Mr Bob White, the managing director, said last night that the subsidiary would soon make a deailed statement about the future of

missile negotiating strategy, and open disagreement between Nato's military and political officials in the The interests of motorists, our 200 dealers and our 3,000 employees in Port Elizabeth will not be prejudiced," Mr White added.

His statement follows the warning last week by Mr John Wilson, the chairman of Shell South Africa, that the company may pull out unless the government hastens the end of apartheid. Mr Wilson, who is also the chairman of the Federated Chamber of Industries, one of the tions effectively repeated in stronger terms a similar warning last week by Mr Lo van Wachem, macluded a framework agreement on eliminating intermediate nuclear ballistic missiles in Europe and a 50 naging director of the Anglo-Dutch

cent cut in strategic missiles in In a letter to the multinational five years," had been outlined in a impany's chief executives around letter earlier this year from Presi the world, Mr van Wachem under-lined that Shell wanted to see faster Admiral Poindexter said: "The political change in South Africa and President's view on nuclear weap was actively involved in preparing blacks for a greater role in post apartheid society. While criticising the pace and direction of reform in ons, specifically nuclear ballistic missiles, has been well understood for a long time." He refused to com--- Continued on Page 18 South Africa he added that it would be morally weak of Shell to wash its hands of further social responsibili-

lack community generally. Last week Mr Roger Smith, GM's commitment because of lack of fore unrest broke out in September progress towards ending apartheid and the deteriorating local econo-

General Motors South Africa, which has a car and truck assembly plant and a railway locomotive plant in Port Elizabeth, has seen its share of a declining and over-crowded local market drop from 11.1 to 9.2 per cent over the first nine months of this year. It has been seeking a local partner for some time. Talks with the local subsidiary of West Germany's BMW

sidiary of west Germany's many aimed at exploring the possibility of a joint assembly line failed last year. On Friday, BMW denied that it was still interested in a deal with GM and said it intended to carry on as an independent operation. Members of industry are specuating that Sanlam, the Afrikaaner finance and insurance house, is a possible buyer. Last year it took over the Nissan franchise when it bought control of the Messina mining and industrial group.

The South African car market is now dominated by the major Japanese manufacturers, including Toyota, Nissan, Mitsubishi, Honda, Isu zu and Hino and all three major West German motor-companies Mercedes-Benz, BMW and Volk-All Japanese models are assem-

bled under licence due to the longstanding Japanese ban on direct in vestment in the country. The West German operations, however, are have recently completed major investments in new models and upworld's largest vehicle manufacture dated their facilities. Their invester was reviewing its South African ment plans were all designed becommitment because of lack of fore unrest broke out in September

and the deteriorating local economy. Mr Smith's remarks in an interview with the Detroit motor industry newspaper appeared to catch its South African management unawares, although the future of its operation in that country has

Nut price rise may lead to crunch for traders

By Andrew Gowers in London

HOWEVER ELSE it is remembered, 1986 might just merit a men-tion in the history books as the year f the Great Nut Crunch.

Peanuts have almost trebled in value over the last 12 months and almonds have more than doubled as a result of severely reduced crops in the US, the largest producer. Hazelnuts leapt upwards a few weeks ago in response to fears of damage to the key Turkish crop caused by radiation from the Chernobyl nuclear disaster, although these have since faded and prices are back where they were. Pecans and cashews are firm.

Even the poor old brazil nut, the price of which has been in the doldrums for much of the last two years, has sprung into life over the past few weeks as a result of speculative buying in New York.

Although there have been short-ages of individual nuts before - notably the peanut scare of 1980 - traders cannot recall a previous occasion when the prices of so many nuts rose at the same time. This is most unusual" said one big trader

The rise in world market prices is also bound to feed through eventually into the shops, in the form of higher prices for nuts and for items such as marzipan. Traders insist however, that any increase in retail prices will be much smaller and slower than the movement in bulk values, and will probably not have a significant effect on the all important Christmas market. This is because many nut roasters, salters and other users like confectioner makers saw the trouble coming and took out adequate cover by buying

The two most stricken nuts are the almond and the peanut, or Almonds have been steadily rising in price since it became clear that the Californian crop, which in normal years accounts for well over half the world total, had been cut by 50 per cent this year. This was because a large proportion of the state's almond blossoms were washed off the trees in February before the bees could perform their vital pollination work.

shortfall being made up from Spain, which is the second largest produc-er but which has itself had a slightly reduced crop this year. "There are simply not enough almonds to go round," said one trader.

This is a hig blow to an industry which has worked hard to boost demand for its product over the last

Continued on Page 18

expeding five US diplomats. which could antagonise either sa-Mr George Shultz, the US Secre-tary of State, said yesterday that peared to be unwilling to raise the Pöhl visits Thatcher | HK group as pound faces test

President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet lead-er.

European worries are expected to be expressed at the Nato Nuclear

the US would protest and "take some action" against the Soviet Union for the expulsions, but he de-clined to elaborate. A statement by

The US yesterday adopted an optimistic stance on the prospects for spying, according to the US Adminan agreement on intermediate nuistration. The last batch of Soviet

and made a low-key response to the Soviet announcement that it was raises the threat of tit-for-tat moves

BY ROBIN PAULEY

A CRUCIAL week for sterling statement about the sterling crisis opens today with a visit to London and the UK economy's prospects by Mr Karl Otto Poehl, president of when the House of Commons rethe West German Bundesbank, to discuss the sharp fall in the British recess. currency. He will have talks with Mrs Margaret Thatcher, the British day's 1 percentage point rise in Prime Minister, Mr Nigel Lawson, bank base rates to 11 per cent was Chancellor of the Exchequer, and "too little, too late." Little reassurance of the Bank of England, against the Exchequer's statement of economic strategy in the City of Lonlief that only a further rise in UK don on Thursday in which he made interest rates can stop sterling's light of the rapid broad monetary fell.

fall.

Mr Lawson and Mr Leigh-Pemberton have long agreed with Mr Poehl's view that long-term security for sterling will be achieved only by full British membership of the European Monetary System. But Mrs 1 percentage point in been with the long agreed with Mrs 1 percentage point in been with the long agreed with Mrs 2 percentage point in been with the long agreed with Mrs 2 percentage point in been with the long agreed with Mrs 2 percentage point in been with Mrs 2 percentage percentage point in the private sector. give to sterling outside the EMS if
the crisis persists.

If the pound quickly slides further the inflation and the crisis persists.

interest rates would pass to the base rates, the UK mortgage rate, Germans. And she fears that once already set to rise by 1 percentage in the exchange rate mechanism point, will be raised further, sterling will attract a flood of specu-

CHINA'S trade deficit reached that a devaluation or large interest lems were made much worse by the state rise would be dictated by the figures for August when the current the year, despite government action to reduce it. Page 4 wide-lems were made much worse by the lems were made much worse by the figures for August when the current account slid sharply into deficit.

The September figures are wide-lems were made much worse by the figures for August when the current slid sharply into deficit.

The September figures are wide-lems were made much worse by the figures for August when the current slid sharply into deficit.

The market view of last Tues-

ropean Monetary System. But Mrs 1 percentage point in base rates.

Thatcher remains resolutely op Sterling also hit new lows on the posed. Mr Poehl is expected to warn Bank of England's trade-weighted her today that there is a limit to index of its value against a basket

Mrs Thatcher's objections to corded its biggest jump for 18 EMS have traditionally been political rather than economic she between that effective control of UK restored by a further increase in

At the first sign of trouble in the rise until Thursday when the latest UK economy this money could take UK balance of payments figures flight rocking sterling to the extent will be published. Sterling's prob-

in Soviet satellite talks

Moscow expels envoys, Page 3 Foreign Affairs, Page 1?

OFFICIALS from Jardine Mathes-on, the Hong Kong-based trading company, are discussing with the Soviet Union how the company could act as an intermediary in Moscow's efforts to launch satellites for Western governments and

A team from the trading group recently visited Moscow for highlevel talks with officials from Glav cosmos, the Soviet civilian space agency. The Soviet authorities are studying the proposal and no deci-sion has been reached. The talks in Moscow involved

representatives of London-based Jardine Glanvill, an insurance broking subsidiary of Jardine Matheson. Jardine Gianvill is part of Jar dine Insurance Brokers, one of the world's top 12 insurance brokers with offices in 17 countries. The discussions were prompted by the Soviet Union's anxiety to ex-

ploit the suspension in flights, caused by a run of technical faults. of the West's two main space launch vehicles, Europe's Ariane and the US space shuttle. The delays have led to frustration

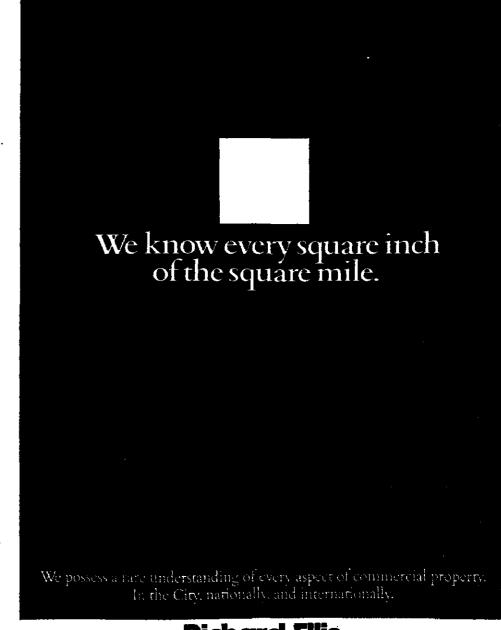
among organisations such as US te-lecommunications corporations which need to place satellites in space but find there is a long queue for launch slots. One such company, Western Union, recently said it would launch a satellite with a rocket owned by China, which, like the Soviet Union, wants to enter the

The Soviet Union has said it Continued on Page 18

to reduce it. Page 4 undexirable if it occurred shortly before a British general election.

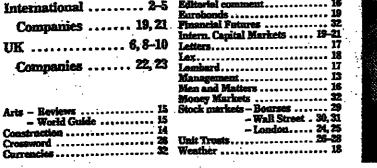
AIR TRAVEL credit card, Airplus, was launched with the backing of thirteen European airlines. Page 8 under the prospect of persistant and substrong pressure from British Memstantial deficits from about the end bers of Parliament to make a clear of this year remain.

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MONDAY **PAGE** INTERVIEW

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Richard Ellis

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PROFILE OF STEINKUHLER

I. G. Metall's most likely man

MANY of his county-men, Franz Steinkühler likes an elongated turn of phrase. It is, he says, "not improbable" that he will be elected presi-dent of the biggest trade union in western Europe, the I. G. It is, he says, "not improbable" the conservative government and West Germany's big motor, steel and engineering industries, serious questions about this commitment to the gentle consensus that has governed the ployers, he has wanted the job for a long time but his age has always been a problem.

ever, pale next to what are, for the conservative government and West Germany's big motor, steel and engineering industries, serious questions about his commitment to the gentle consensus that has governed the end of the war.

"Some employers are taken shack by the fact that I take

for a long time but his age has always been a problem.

Even now, at 49, his election which is a certainty, will be a break with tradition. I. G. Metall's 2.7m members have the end of the war.

"Some employers are taken aback by the fact that I take problems to them direct and unvarnished," he said in an interview in the summer. As a metalworker's leader in State.

Doubts about his age, how-ever, pale next to what are, for

Germany's first-ever strike not paid benefit by the state.

a few key component supplier Second

LIKE MANY of his country- generally preferred older men. gart, Mr Steinkühler, in his factories and allow those laid

Franc Steinkühler likes Doubts about his age how mid-thirties, led, and won West off elsewhere as a result to be

called about pay.

Although he has led other strikes since, his fame, and the reason employers fear his election, was sealed in 1984 when he masternimed a strike for a shorter working treats. The government closed the benefits loophole earlier this benefits loophole earlier this year, but not before Mr Stainkühler's union had led a six-month-long bitter and public campaign against the move

shorter working week. It brought the West German motor industry to a standstill for seven weeks in the summer.

Mr Steinkühler's simple the unions worse than at any tactic was to organise strikes in the summer.

Second World War.



Neue Heimat's bankers extend debt moratorium

"IS THE creditworthiness of Neue Heimat now greater than that of the old Neue Heimat?" The question was put to Mr Horst Schlesser, the Berlin businessman who owns the finan-cially troubled housing group. after he had spent the best part of nine hours trying to soothe the fears of banks which have lent it very large sums of

West German police yester-day arrested Mr Alfons Lappas, chairman of the trade union-owned holding group, BGAG, for refusing to testify to a parliamentary commis-sion in Bonn about the Neue Helmat gale.

Mr Lappas was reportedly

money. in principle, yes."

His answer was mildly re- Mr Schiesser, who owns a assuring, the more so as he had chain of bakeries and also has just announced an agreement other business interests, last standi with the banks to continue a month paid a nominal DM 1 ment. moratorium on debt repay- (35p) to purchase Neue Heimat, ments. "I should like to say, with around 190,000 homes,

arrested in Hamburg after attending the spening of the metal workers' union confer-ence. Last week the committee, having been told by Mr Lappas that he would not discuss business secrets with them, applied for 2 court order to jail him

from the trade unions in a deal which has caused extensive political ripples and tarnished the standing of the union move-ing to creditor banks—they are

Outraged in a different way by the affair was Mr Manfred Meier-Preschany, the former Dresdner Bank director who had been asked by BGAG to advise on how Neue Heimat could be restored to financial health.

ment. owed DM 12bm of Neue Hel-After years of scandal and mar's total DM 17bn debts— bad management, Neue Helmat about sorting out the housing

was sold to Mr Schiesser by the concern's muddled affairs. "I trade union federation, the felt I had been duped."

DGB. Since the banks had also been to the Berlin bakery owner, last Friday's talks were crucial to

his chances of trying to turn Neue Helmat round. Mr Schiesser professed himself satisfied with the meeting, at which the banks agreed to set up a working group to co-ordinate the interests of all

bank credito They also agreed to maintain

East bloc dissidents issue joint appeal

MORE THAN 100 dissidents in four East European countries have pledged to "struggle" for political democracy, pluralism and the " peaceful reunification "

Their rare joint appeal was issued to mark the 30th assiversary of the Hungarian uprising on Thursday. It was signed by leading opponents of the communist governof the communist govern-ments from Hungary, Poland, Czechoslovakia and East

Among the 49 Hungarian signatories was Mr Lastlo Ruik, sen of the Communist Foreign Minister executed after a show trial in 1949.

The 29 Polish signatories included Mr Adam Michnik and Mr Jacek Kuren. Supporters of Czechoslovakia's Charter 77 civil rights group and the East German Independent Peace Movement also stated the statement.

A preface to the appeal said A preface to the appeal said that since suppression of the Hungarian, Polish and East German uprisings and the Prague Spring of 1968 life "for many became easier" but that the "basic demands" of the uprising were not realized.

Plans to liberalise EEC steel cartel face resistance

BY QUENTIN PEEL IN BRUSSELS

steel cartel, which sets fixed prices and production quotas for twothirds of Community steel output, seem certain to run into strong opposition when industry ministers

— amounting production. meet in Luxembourg today.

The determination of the European Commission to press ahead with liberalisation of the steel regime, to scrap all quotas by the end of 1987, faces resistance from many member states under pressure from their own major steel producers.

West Germany in particular, backed on different issues by Belgium, Luxembourg, France, Italy and the UK, is opposed to moving so fast in dismantling the controls set up in 1980 under the so-called Davignon plan.
The regime has been remarkably

successful in allowing steel produc-tion capacity to be cut by more than 31m tonnes, to the present level of around 140m tonnes in the Community states involved (excluding Spain and Portugal). However, the Commission estimates there will still be excess capacity of nearly 22m tonnes in 1890 - which can be removed under the incentive of increased control

PLANS TO liberalise the EECs of the quota system - galvanised steel cartel, which sets fixed prices sheet, wire rod, merchant bern, and the lighter variety of heavy sections - amounting to some 20 per cent of

The major steel manufacturers are strongly opposed to further liberalisation at the present, arguing that the market is too weak, and prices will fall below viable operations levels are a result. ing levels as a result.

The Commission maintains, on the other hand, that the conditions of "manifest crisis" in the industry, which justified the creation of the EEC cartel system, have now been removed. The present quota system discriminates against small independent producers – strongest in Italy – who could otherwise take a larger share of the market for the products they propose to liberalise, officials say.

West Germany, once most committed to a liberal steel regime inthe Community, now seems the most determined to preserve the cartel. German manufacturers have been particularly vociferous in lobbying - partly, Brussels officials be-lieve, because they also face repaying a portion of their state aid be-The plan before the ministers is cause of making exceptional profits to take the following categories out in the first half of the year.

Coalition fails to solve Flemish dispute

By Tim Dickson in Brussels

BELGIUM'S centre-right coalition government will once again be fighting for survival this week after the collapse of efforts to settle the country's bitter language dispute.

The new crisis was precipitated late on Friday night when a compromise "solution" backfred and forced the resignation of Mr Charles-Ferdinand Nothomb, the Interior Minister.

homb, the Interior Minister.

Earlier on Friday Mr Nothomb had confirmed the appointment of Mr Roger Wynants
as mayor of Les Fourons, the
tiny area close to the Dutch
border where a previous mayor
Mr Jose Happart was recently
sacked for refusing to display
an adequate knowledge of the
official local language, Flemish
official local language, Flemish

Mr Wynant, who as a French-speaking. Flemish teacher is apparently an ideal candidate, had second thoughts. He am-nounced he would only accept the post on conditions which would have been unacceptable to the Flemish-presking Ches tian Democrat elements in Mr Wilfried Martens' four-party coalition government.

The situation is made no easier by the fact that Mr Happart was on Friday elected first alderman of Les Flourons, de

Observers in Brussels last night noted that Mr Josef Michel—the new Interior Minister sworn in on Saturdayonly has experience of the job in a former administration but also has first-hand knowledge of

Sabena and SAS discuss co-operation

By Kevin Done in Stockholm

TWO European airlines SAS (Scandinavian Airlines System), and Sabena, the Belgian state-owned air-line, have decided to intensify talks about future co-operation, chiefly on intercontinental routes.

Much of the airline industry is losing money on its intercontinental traffic, and SAS and Sabena are which would make their long-haul routes more competitive. Some of the smaller and medium-

sized European airlines are concerned that in an era of freer

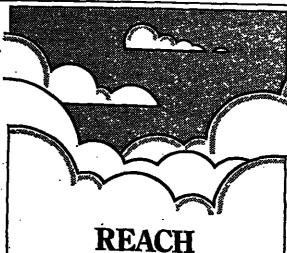
competition they will face a tough fight to maintain their intercontinental networks and survive as more than just feeder services to some of the main European airports such as London, Frankfurt or Schiphol. "We must develop the Scandinay-

ian traffic system with a strong intercontinental network," said an SAS spokesman.

The advantage of a co-operation scheme with Sabena would be that the two airlines could exploit each other's existing strengths. SAS would clearly like to be able to exploit the catchment area for traffic around Brussels.

Since earlier this year SAS has had no flights to Africa, whereas Sabena is relatively strong on Airican routes. By contrast SAS has more fully developed

south-east Asia. SAS is also holding talks with Finnair, the Finnish air-line about possible co-operation on



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Dr Garret FitzGerald: spirited

Fianna Fail opinion poll lead

By Hugh Carnegy in Dublin

IRELAND's fragile Fine Gael-Labour coalition, which this week must try to win a knife-edge confidence vote in parlia-ment and regain the confidence of the nervous Dublin money markets was dented vectories. markets, was dented yesterday by an opinion poli showing Mr Charles Haughey's opposition Flanna Fail party increasing its

Dr Garret Fitzgerald, the Prime Minister, fought a spirited rearguard action over the weekend, insisting that the government would win Thursday's confidence vote. With government and opposi-tion parties divided in theory only by the speaker's casting vote, the coalition cannot afford slips if it is to continue to the end of its term in a

In an attempt to halt a surge in interest rates which has fol-lowed big capital outflows due to the cheapness of sterling and worries about overruns on this year's current budget deficit, Dr Fitzgerald was adamant that he would not devalue the Irish pound—as the government did in August—and that the coali-tion would agree spending cuts in its January budget to control

the public finances. He blamed lack of British action to control sterling as the chief cause of the rising cost

In spite of his insistence that the government would survive. Dr Fitzgerald did look forward to a general election in his speech to the Fine Gael annual conference on Saturday night. Because the Labour Party has already said it would not take part in another coalition, he

said the government was not standing for re-election. Fine Gael would run on its own policies, but would not rule out entering another coalition, ence to the new Progressive

according to the latest Sunday independent/IMS opinion poll-Excluding "don't knows" it gave Fianna Fail 53 per cent support, up from 46 per cent in

Fine Gael had 27 per cent, the Progressive Democrats 9 per cent and Labour 6 per cent. Mr Haughey's personal standing has also forged ahead to
40 per cent, compared with 27
per cent for Dr Fitzgerald.
In the face of such figures,
government ministers have ingovernment ministers have in-creasingly turned on Mr Haughey, accusing his past governments of responsibility for the economic decline by reckless public spending and borrowing, and attacking his borrowing, and attacking his follows the unpopular decision latest statements criticising the Anglo-Irish agreement.

In follows the unpopular decision of the ruling family to suspend the National Assembly early in

THE BRIEFCASE WITH THE PERFECT MEMORY

Moscow expels five US envoys 'for illegalities'

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION yester-day expelled five US diplomats in an apparent act of retaliation for the expulsion of 25 Soviet diplomats at the UN headquarters in New York accused by the US of espionage.

A statement by the Soviet
Foreign Ministry said that four

diplomats at the US embassy in Moscow and one at the US con-

"For the actions which are incompatible with their official status the above-mentioned workers of the embassy and the consulate-general were declared to be personne non grates and were asked to leave the USSR," the official Soviet news agency Tass said. A US embassy spokesman con-firmed the expulsions of the

diplomats, all of junior rank, but would not discuss details. The Soviet Foreign Ministry statement drew the US embassy's attention "to the continuing use of American diplomatic missions for illegal activities against the Soviet Union" and demanded they

The last five Soviet diplomats were due to leave New York

The Tass statement, as is usual in the reciprocal expul-sion of diplomats, makes no mention of the UN expulsions.

Mr Eduard Shevardnadze, Foreign Mnister, had made clear before the summit in Reykjavid Iceland, between Mr Moscow and one at the US consulate in Leningrad had been sulate in Leningrad had been sulate in illegal activities against the Soviet Union.

"For the actions which are incompatible with their official status the above-mentioned workers of the emhassy and the consulate-general were declared to the consulate general were declared had met, however.

Mr Gennady Gerasimov, the
Soviet official spokesman, has
been at pains to defuse the

expulsions issue saying that there were only 198 Soviet diplomats at the UN, well below the total of 218 demanded by the US. By expelling only five US diplomats Moscow may feel it has done the minimum neces-

sary to keep its promise of retaliation without provoking tit-for-tat action by Washington.

Kuwait demand holds up Opec agreement

BY RICHARD JOHNS IN GENEVA

AGREEMENT BY the Organisa- July tion of Petroleum Exporting Countries (Opec) on an extension of its interim pact on output control and quotas is continuing to be held up by Kuwait's unyielding demand for a 10 per cent increase in its quota over the next two months. Shelkh Ali Khalifah al Sabah, Kuwaiti Minister of Oil,

agreement covering September

Ministers yesterday were engaged in intensive consulta-tions over how the arrangement might be amended to give up to 200,000 b/d of production to members most insistent of obtaining a larger share.

Kuwait and Saudi Arabia appeared to have dropped their stipulation that a "roll over" of the interim pact should be conditional on a fundamental renegotiation of the quota system, with the aim of introemogratic Party.

The chances of this are slim, ducing a new one in 1987. There is general recognition that the task could not be completed by the end of this month.

Iran seemed almost certain to reject any revision accommodaing Kuwait's demand. Yet, in practice, this may not matter to the market because its exports are being constrained as a result of Iraqi military pres-sure on its Kharg Island export

Western analysts now believe that the Kuwait Oil Minister was given no room for manoeuvre because his Govern-ment is determined to present a "triumph" in Opec to placate domestic public opinion. This

the Saudi regime.

Venezuela and Iran, however, would have acute difficulty in justifying a higher quota for Kuwait which still enjoys substantial financial reserves.

At the weekend Saudi Arabia once again threw its weight behind Knwait's claim which said yesterday that his assent was still opposed by most other to any Opec accord was dependent on the others conceding his state an extra 90,000 barrels a day on top of the newspaper Al Watan that Saudi 900,000 b/d permitted under the agreement covering September Claim

> He expected an increase for Kuwait of 45-50,000 b/d and another 45,000 b/d from the beginning of December, Failure to reach an accord could mean a collapse in prices, he warned.

> Asked yesterday afternoon whether Kuwait would be satiswhener knwait would be satisfied with assent to an extra allocation in two tranches. Shelkh Ali Khalifa said: "I don't know. If that is the conference decision I would call Knwait but I wouldn't call Knwait for a single barrel less than 90,000 b/d.

Kuwait's position all along had been to accept nothing less than parity with Libya which has a quota of some 950,000

On Saturday following an adjournment, called partly so that Saudi and Kuwaiti delegations could consult their capitals, the official Saudi Press Agency said that "in continuation of the great sacrifice the Kindow has made to enforce and Kingdom has made to safeguard Opec and consolidate its progress," it was prepared to stick to its current quota of 4.353rr b/d until the end of the year.

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Turkish banker to head key

By David Barchard in Ankara

ministry

THE GOVERNOR of the central bank, Mr Yavuz Canevi, is to become Under-Secretary of the Treasury and Foreign Trade.

Mr Canevi succeeds Professor resigned in July and unsuccess-fully contested a seat in the by-elections on September 28. Mr Canevi's post is regarded as one of the most powerful in the country with control over almost all decisions on the

Dr Rüstü Saracogiu, a UStrained economist, is expected to succeed Mr Canevi. Mr Sarato succeed Mr Canevi. Mr Saracogin, who returned to Turkey
two years ago, has worked on
developing money markets in
Turkey during his time at the
central bank, while handling
negotiations with the International Monetary Fund and
other international agencies.

Meanwhile backbench MPs in the ruling Motherland Party have criticised a Cabinet reshuffle on Friday for being

The Prime Minister sacked two ministers and demoted three others, including the former government spokesman, Mr Mesut Yilmaz, in a move apparently intended to refurbish the image of his government after its by-election

Mr Yilmaz, who becomes tourism minister, has been replaced by Mr Hasan Celal Güzel, a new entrant to parlia-ment, who is in favour of reaching an accommodation between the Prime Minister and his archREPUBLICANS YULNERABLE IN SENATE ELECTIONS

Keagan campaigns for his supporters

ALMOST three weeks after its for re-election are conservatives scheduled adjournment, the 99th US Congress has completed work on a plethora of legislative proposals, freeing its members to head back to their constituencies to campaign for

This year, a man whose name is not even on the ballot, Re-publican President Ronald Reagan, ranks among the most active campaigners. In 1984 Mr Reagan was accused of spend-ing too much time campaigning for his own re-election and not making enough effort to ensure that as many Republicans as possible returned to Washing-

This year, many of the 22

who first came into office in 1980 when Mr Reagan's national political agenda helped to give them an edge over their

Now, several of them, including Senator Mark Andrews in North Dakota, James Abdnor in South Dakota and Slade Gorton in Washington State, look vulnerable. If they fall, Mr

explains the unprecedented media blitz the White House launched last week following the Reykjavik summit meeting with Soviet leader Mikhail Gorbachev.

Political analysts in Washington such as Mr Ed Rollins, the man who managed the President's re-election campaign in 1984 but who is now no longer in the White House, see the President attempting to inject Reagan could find himself fac-ing a US Senate controlled by the Democratic Party when Congress reassembles next gressional elections.

The White House is perceived to be trying to bring Mr make his life much harder. Reagan's personal popularity helps to explain why the President has been criss-crossing the which he is identified to bear the personal popularity which he is identified to bear

Reagan can accomplish his ambitious goal. His prospects have hinged partly on the fact that Moscow too has found it in its interests to say that the summit was a success. Had Mr Corbachev retreated to the Kremlin in fury, Mr Reagan would have found it difficult to argue that US-Soviet relations were improving were improving.

Yesterday's expulsion from Moscow of five US diplomats, an indicator of continuing US-Soviet tensions, is thus a reminder of the possible dangers of using superpower relations as an element of

Congress spending cuts in doubt

adjourned on Saturday with big doubts remaining about its final approved bill to cut the federal deficit.

The Senate passed a measure to cut \$11.7bn (£8bn) from the deficit, bringing Congress within striking range of the \$144bn deficit target for fiscal year 1987. But most of the cuts year root. But most of the cuts are one-off savings and account-ing gimmickry. Lawmakers forecast a tough battle to meet the \$108bn tar-

get for fiscal 1988 as set out in the Gramm-Rudman-Hollings the Gramm-Russian budget law to force a balanced budget

The wrangling over federal spending cast a shadow over Congress which had to extend sitting for two weeks to get

THE 99th US Congress bus appropriations bill, signed by President Reagan at the weekend.

Among the measures approved in the final days are: Defence spending: Congress held the military budget to about \$290bn, a cut of almost \$30bn from the President's request. The strategic defence initiative (SDI), the spacebased defence system, will have to make do with \$3.5bn, around \$1.8bn less than the Adminis-

Immigration: Congress ended five years of debate by over-hauling the laws, approving amnesty for several million aliens, penalties against em-ployers for hiring illegal aliens and tougher border enforce-

\$1.8bn less than the Adminis-

Foreign policy: The President secured final approval for \$100m in military and other aid for the Contra rebeis fighting the leftist Sandinista government in Nicaragua. Some \$200m economic assistance was granted to the Philippine Covernment But in an earlier Commodities: Congress approved Government. But, in an earlier significant move, Congress overrode a Presidential veto on new economic sanctions against South Africa.

Environment: The President, for the sale on purchase elections, signed an expansion of the toxic waste clean-up programme amounting to \$9bn. But a stricter clean water act faces a possible veto. Drugs: Congress imposed a

Commodities: Congress approved laws to extend for three years funding for regulation of the commodity futures market and to expand the leveraged con-tract industry which provides for the sale on purchase of a commodity at a fixed price at some future date but which are

Import fees: The Deficit Reduc-tion Bill imposes a tax of 0.22 \$1.70n programme to curb the starting December 1 1986. It spread of drug abuse, but drew will fall to 0.17 per cent on back from imposing the death

No Photographs, Yet Still The Most Detailed Daily Picture of World Financial Markets.

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Dollar's Fall Aids Multinationals That Work the Currency Markets

from the dollar's 18-month descent nave vasusy numerous strangers for dealing with volatile foreign-exchange markets.

For many U.S. multinational corporations, the past year and a half-and especially the past 11 months—have been good times. The falling dollar has made "this year the greatest free hunch I've ever seen in currency management," says the head of foreign-exchange operations for a major U.S. multinational company.

A weakening dollar typically helps most big U.S. multinationals because they take in more nondollar currencies than they spend. Thus, as The U.S. unit fails, those foreign currencies can be

converted into more dollars. A weaker dollar also makes their dollar priced products more competitive on world markets.

After plunging 35% against the Japanese yen and 25% against the Deutsche mark since last September, forecasters are divided about where the currency is headed. While many seems believe the dollar hasn't much further to done others and the current weighted or the current weighted.

much further to drop, others say the current wranging over economic policies between the U.S. and West Germany and Japan clouds the picture.

STREET JOUKNAL.

THERE'S NOTHING LIKE IT FOR INTERNATIONAL BUSINESS.

China's imports rise despite curbs

CHINA'S trade deficit reached US\$8.9bn in the first nine months of this year, despite tighter import controls and government plans to reduce the deficit substantially this year. The government had planned

to cut imports, but in the first nine months, import volume rose 5.1 per cent on the same period last year, while exports increased 14.8 per cent to \$21.4bn, according to figures released by the State Statistical Bureau.

Imports from Japan were jumped 80.1 per cent while imdown 21.4 per cent in the first ports rose 83.3 per cent, and nine months, while exports to the US increased were down 15.7 per cent, largely because of the slump in world rose 4.4 per cent.

Ministry of Foreign Economic Relations and Trade claims the country borrowed \$2.5bn in the first half of this year.

Other figures released by the cause of the slump in world oil prices.

A continuing trade deficit has become a sensitive political issue after last year's deficit of \$14.9hn, and some senior Communist Party members are wondering if the country's trading partners are getting the better of China

Japan, which had a bilateral trade surplus last year of almost 57hn has been hardest hit by import restrictions this year, particularly those on consumer durables and motor vehicles.

The period saw a 57.6 per cent increase in imports from the Soviet Union, while exports to the Soviet Union rose 51.27 per cent. Exports to the European Economic Community

The official claimed \$1bn had been borrowed in the first nine months, highlighting again the continuing conflict between statistics released by different Chinese departments. The

Asked how China was covering the deficit when there appears to have been little movement in the country's foreign exchange reserves, a State Statistical Bureau spokesman said the country was delaw-

man said the country was delaying payment on imports, borrowing from abroad, and selling gold reserves.

The official claimed \$1bn had been borrowed in the first nine months. However, the increase for the first nine months. However, the increase for the first nine months. for the first pine months of 1985 was 33.7 per cent, and prompted tighter controls on bank lending.



BY OUR PEKING CORRESPONDENT

NOT LONG before the Royal Yacht Britannia left the southern Chinese city of Guangahou (Canton) on Saturday night, Li Xiannian, China's President, sent a message to the Queen and Prince Philip neting that their visit had been "an important chapter in the annals portant chapter in the annals of Sino-British relations."

Perhaps to make certain that Chinese leaders understood that she enjoyed herself, before leaving, the Queen wrote letters to President L1 and Deng Xiaoping

kettle fit in?

deepest Cornwall.

as "ghastly" and suggested that if one stays too long in China one could get "slitty

THE NEW FORD TRANSIT.

AS TRUSTED WITH GOLD BULLION,

INTENSIVE CARE PATIENTS

AND MRS. PROWSE'S KETTLE.

If British efficials could have their way, they would rewrite part of that chapter and excise what has become known as China's second "Xian Incident" (the first "Xian Incident" was the capture of Chiang Kal-Shek, the Chinese nationalist leader, by rebel and Communist troops in 1936).

It was in Xian last week China's Foreign Ministry has made no official comment on the Prince's controversial remarks, which have also not been reported in the Chinese media. In fact, the official Chinese news agency, Xinhua, made a point of reporting a pleasant meeting on Saturday between the Prince and It was in Xian last week that the Duke of Edinburgh

million miles.

"Prince Philip went to a

Every one of them is a Ford Transit.

In the course of a year White Arrow reckon that

As you would expect he's the constant focus of

each of their Transits travels 25,000 miles. This gives

an annual mileage figure for their fleet of around 50

The man who's got the responsibility for those 50 million miles is White Arrow's Fleet Director.

attention for all Transit's competitors, and he knows

"We test models of just about every other

similar panel van, but the Transit has always proved

the better vehicle. All costs are recorded on com-

puter Every single mile is logged and has been since

1968. The Transit comes top in everything.

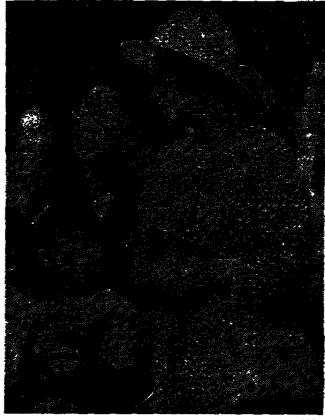
A satisfied customer indeed.

a great deal about the van market.

rural village where he visited a rice paddy field, a fish pond, a recreation centre, and a peasant's home. He had a cordial talk with the peasants and was warmly received," Xinhua said.

The student at the centre of the "Klas incident," Mr Simon Kirby, 21, of Leanington Spa, regrets having talked to the royal watchers after his now famous chat with the

British-consciousness was raised, and ordinary Chinese had a far better understand-



The Queen with a small admirer at a concert given by 300 children at the Guangdong Children's Palace on Saturday

ing of British royalty by the ing of British royalty by the end of the week, as the national television news carried long reports about the visitor. How long the British glow lasts remains to be seen. Many countries are after a "special relationship" with China that sets them apart from the pack. In the end the two countries with best claims are Japan and the US, both of which have trade and caltural ties with China of much greater density than does Britain.

entire fleet with the new model!"

But White Arrow don't only serve the needs of the G.U.S. group. They also make deliveries for many other companies.

In the words of John Abberley, their Managing Director, "White Arrow are specialists in parcel delivery to home and business, challenging for the number one position in parcel distribution." And in aiming for that number one position

they're driving Britain's number one van. It's a van designed to surpass the almost legend-ary achievements of the old Ford Transit. (Whilst still

retaining all the classic Transit traits.) The new Transit boasts even more loadspace, even higher levels of cab comfort and significantly

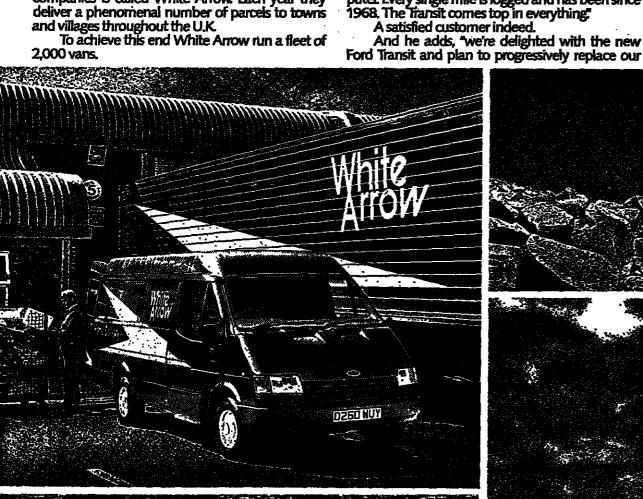
improved fuel economy. Naturally, its available in a wide range of derivatives, all of which can be specified with the world

beating 2.5 direct injection diesel engine. And although we're proud to number the police, ambulance, security and motoring rescue services amongst the many Transit users, we really

couldn't hope for a better seal of approval than that of White Arrow and Mrs. Prowse.



THE NEW FORD TRANSIT



The Ford Transit is the overwhelming choice of

Well, Mrs. Prowse is a sprightly 68. She's lived for the past 50 odd years in a tiny farm cottage in

Her home is so far off the beaten track that she

can't exactly pop out to the shops all that often.

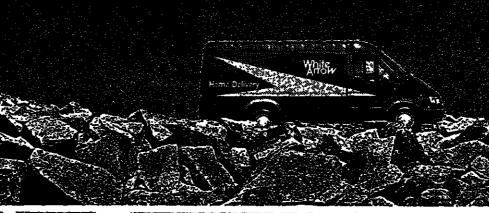
So Mrs. Prowse is a regular customer of Kay's mail order catalogue, part of Great Universal Stores plc.

The distribution arm of the G.U.S. group of companies is called White Arrow. Each year they

That explains the gold bullion and intensive care patients, so where do Mrs. Prowse and her

security companies and ambulance services.







PLEASE NOTE THIS VEHICLE IS FITTED WITH AN OUTSIDE BODY BUILDERS DRIVERS DOOR CONVERSION.

Shamir expected to take tougher line on terrorism

by andrew whitley in Jerusalem

Mr Shamir will head the same nine-party grand coalition that was presided over by Mr Shimon Peres, the outgoing Labour Prime Minister, and is committed to the same basic policy guidelines.

But the Likud leader will undoubtedly take a much tougher stance than his predecessor on Middle East peace negotiations, and on terrorism. The latter has become a highly topical subject following Wednesday's grenade attack in Jerusalem, and the subsequent shooting-down of an subsequent shooting-down of an Israeli Phantom during a re-taliatory raid in southern

Lebanon.
Reports from Lebanon yesterday said the Israeli airman captured after the raid by Amal, the Lebanese Shi'ite militia, had been taken to the Syrian-controlled Beka'a region. But it was unclear into whose hands he had been transferred. Speaking in Damascus, Mr. Nabih Berri, Amal's leader and Lebanese Justice Minister, suggested that the airman could

be swapped for Lebanese and Palestinian prisoners being held by Israel. held by Israel.

There was no immediate public response from the Israeli the occupied territories.

THE APPOINTMENT of Mr Government which appears to be pursuing a twin-track policy Likud leader, as Israel's ninth of threatening to use force if Prime Minister is expected to be formally ratified today by the Knesset.

Mr Shamir will head the bis contact. his captors.

Gen Amos Lapidot, the air force commander, said yester-day that the missing man may already have been taken to

Syria.

He added that Israel now believes the loss of the airraft had not been due to a missile hit, but to an explosion in its undercarriage region. Precautionary checks are to be

Precautionary checks are to be carried out on all air fures warplanes to prevent a repetition he said

The highly controversial issue of Jewish settlements in the occupied territory is also certain to be revived under Mr Shamir, after an absence from the headlines during the Peres

years...
Anticipating possible trouble,
Mr George Shuitz, the US Secretary of State, was reported
yesterday to have sunt a message to Mr Shamir warding him not to renew construction in the West Bank and Gaza, or to change the status of the Temple Mount holy area in Jerusalem.

Last week, the English-language Jerusalem Post said it had uncovered plang by Herut, Libudy main company for a

Israel to scrap minimum domestic prices for fuel

BY OUR JERUSALEM CORRESPONDENT

A FGAR-REACHING restruc-

The cornerstone of the new policy will be the ending of government-set minimum retail prices for fuel products. In future the Government will only set a maximum price.

set a maximum price.

The policy has aroused immediate opposition from fuel distributors but it is likely to be welcomed by consumers who are paying among the highest petrol prices in the world.

The three fuel distributors, two of them private and one state-owned, which currently act as a cartel in dividing up

act as a cartel in dividing up aspects need the prior approval the market, will be compelled of the Ministerial Economic to end such arrangements and Committee, the support of to compete on equal terms.

The Government is also lifting its present monopoly on oil
refining, and will encourage the
three companies — Par, Sonol

which, a spokesman said, had
already been assured.

I raqi air raids have knocked
out the last two working berths
three companies — Par, Sonol

at Iran's main Kharg Island oil

The Energy Minister said no turing of the domestic fael in-dustry, aimed at stimulating competition, has been an-nounced by Israel's Energy

The Energy Minister said no decision had yet been taken on whether the Government would retain a controlling interest.

From January onwards, the whether the Government would retain a controlling interest.

From January onwards, the distributors will be able to buy refined products directly from abroad equivalent to 10 per cent of their needs, instead of purchasing crude oil which is then transferred to the state for refining.

The state-run Israel Fuel Anthority will, however, retain overall responsibility for imports of crude.

The Energy Ministry said yesterday that the changes marked the first stage of a broader plan aimed at opening up the Israeli market. Some aspects need the prior approval

and Delek — to purchase shares terminal in the Guif shipping in the two state-owned sources in the region said over refineries, at Haifa and Ash the weekend, Router reports dod.

SHIPPING REPORT

Opec production doubts depress tanker market

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

last week.

Events in the dry cargo market were described by brokers as "erratic." Panamax time charter rates in the East were said to have weakened to around \$4,500 to \$4,750 per day, while in the Atlantic relative premiums were available for early grain tonnage from the US Gulf.

Denholm Coates, the London

Derholm Coates, the London brokers, noted, however, that freight rates were still below the levels of 12 months ago despite recent improvements.

In the tanker market, Galbraith's said tonnage was continuing to build up, particularly in the Middle East Gulf, where around 50 vessels of more than 200,000 deadweight tons were available.

tons were available.

The only quoted order for a VICC (very large Trude carrier) from the Gulf was for the Knwait state oil company RPC, which was reported to have fixed at below Worldscale 20 for a voyage to the East.

Among smaller vessels, Shell

UNCERTAINTY surrounding the likely outcome of negotiations over production cuts by the Organisation of Petroleum reported to have fixed Worldstone to depress the tanker market last week.

Experting Countries continued to depress the tanker market last week. Korea.

Brokers said stocks in con-

Brokers said stocks in consuming areas were too high to provide much hope of a return to the levels of activity seen in July and August, even if Opec proved unable to maintain production cuts.

Trade was said to be "limited" in the Mediterranean, where cargoes of \$0,000 tons were concluded at little more than Worldscale 50 for trips to North West Europe and around Worldscale 60 on the cross-Mediterranean route. Mediterranean route.

Rates were said to have improved from West Africa, however, with Pectan reported to have paid Worldscale 32.5 for 125,000 tons from Nigeria to offshore Louisiana.

There was a further soften-ing of rates in the North Sea, where a 75,000 tons cargo from the Tees to Philadelphia was fixed at Worldscale 45, while Phillips paid Worldscale 77.5 for 64,000 tons from Flotta to the East Coast of Britain.

World Economic Indicators

	UNEMPL	DYMENT		
000's	Sept. 84 8,329.0 7.0	Aug. 86 8,027.0	July 26 8,190.0	Sept. 8 8,271.
000°s %	3,197.0 11.4	3,280.1 12.0	3,279.6	7. 3,346. 12.
. 000's %	2,120.2	2,131.8	june 86 2,078.2	Aug. 8. 2,216.
900's	2,373.5	2,316.0	2,266.0	8. 2,309.5
000%	3,085.0	3,105.2	3,769.7	9.1 2 ,854. 1
5000,4	531.4	522.6	477.9	12.5 567.1
000°3	710.9 12.4	714.9 12.5	687,2 12.0	13.1 776.3 13.4
000's %	1,670.0 2.92	1,610.0 2,72	May 86 1,620.0 2.7	july 85 1,450.0 2.56
	% 000's % 000'	Sept. 86 8,329.6 % 7.9 000's 3,197.0 % 11.6 Aug. 86 000's 2,373.5 10.2 000's 3,085.0 % 13.4 000's 531.4 13.0 000's 710.9 % 12.4 000's 1.670.0	000's 8,329.0 8,027.0 7.0 6.8 7.0 6.8 9.000's 3,197.0 3,200.1 % 11.6 12.0 Aug. 86 July 86 000's 2,120.2 2,131.8 7.8 7.8 7.8 7.8 7.8 7.8 7.8 7.8 7.8 7	Sept. 86 Aug. 86 July 86 8,729.0 8,190.0 8,190.0 6.9 6.9 6.9 6.9 6.9 6.9 6.9 6.9 6.9 6.9

Source (except US, Jepan): Eurostat

Natural rubber price agreement talks collapse

On Friday, however, Mr Farouk said the outcome left

serious doubts as to whether

the big consuming countries, the US, the EEC and Japan, had really wanted a new agreement. Producers now thought it might be the lesser evil to commit

rubber to free market forces. Differences over two points precipitated the final collapse of the talks. One was the pro-

ence price be expressed in Malaysian ringgits instead of

BY WILLIAM DULLFORCE IN GENEVA

RUBBER producing and con-suming countries have failed in sphere on October 6. The producers had then appeared to open the way for a settlement their third attempt to nego-tiate a new price-stabilising by dropping their demand for a new reference price of 265 Talks collapsed late on Fri-day mainly because the conkilo and agreeing to accept the current reference price of 201.66 cents as the starting level for the new agreement.

sumers insisted on a mechanism allowing for more frequent adjustments of rubber prices in line with market trends. Mr Ahmad Farouk, the producers' spokesman, said they would urgently convene a meeting of the Natural Rubber Producers' Consultant

Committee. The current International Natural Rubber Agreement continues to the end of October 1987 so the failure of the talks will have no immediate effect. although there may be some market reaction today.

Both producers and consumers will, however, have to consider the consequences if they have to start liquidating the present 365,000-tonne buffer consider the consequences if they have to start liquidating the present 365,000-tonne buffer stock next October.

The agreement provides for liquidation over a three-year period. Funds equivalent to some \$350m (£245m) are tied up in existing stock.

There was bitterness among participants after the collapse of the conference. It had resumed in a promising atmo-

llli

I U

mb

rkel

Investment to head **EEC-Asean** meeting

MOVES TO try to improve the climate for European investors will top the agenda at the EEC-Asean foreign ministers' meet-

According to an EEC-Asean joint report on investment, the main obstacles to investment continue to be: the lack of trade between Asean partners; the complexity of investment regu-lations; the wide margin of discretion in applying the regulations; inadequate protection of intellectual property rights, such as patents and trademarks; and inadequate information about investment oppor-

Jakarta today.

Although European investment in Asean, comprising Thailand, Malaysia, Singapore, Indonesia, the Philippines and Brunei, has shown a marked increase in the past decade it is still far behind that of Japan, Asean's leading investment partner, and the US.

The report notes that the growth in investment is concentrated in banking and finance rather than manufacturing. Ninety per cent of Britain's investment is targeted at Malaya and Singapore, for example, with whom the UK has historic links.

Manila hopes to better Mexico's debt deal

Accord reached on customs contract

THE PHILIPPINES WILL seeking terms more favourable than those granted to Mexico when it begins debt reschedulwhich it begins us to 1883 com-mercial bank creditors in New York next week, said Mr Jaime Ongplo, the Philippine Finance Minister, at the weekend.

"The Mexico deal has opened a new horizon," he said.
The Philippines has \$3.6br (£2.5bn) of commercial debt that falls due during the next six years, in addition to pre-viously rescheduled loans from 1983-85 which would be falling

due next year. Mr Ongpin said he expected creditors would agree to match the 20-year maturity that was agreed to with Mexico, and would better the 13/16 percent-age point over Libor (London interbank offered rate) in the Mexico package.

The Philippines had a total

foreign debt of \$26.4bn at the start of the year, although this figure is expected to be re-valued upward by about \$1bn because of the higher dollar valuation of yen-dominated loans in the country's debt portfolio.

Mr Ongpin said that without recheduling the Philippines' debt service ratio would range between 40 and 50 per cent over the next five years. The Govern-ment is seeking to lower this to between 26 per cent and 33 per cent to allow the economy to grow faster.

Covernment economic plans
call for the economy to

sider this target optimistic.

Mr Ongpin said growth this year would be flat or slightly positive, expecting growth in the second half to compensate the first six months. He was the most optimistic yet that the economy had moved onto the right track, with growth in imports preceding an

Jaime Ongpin:
"Higher revenues"

expand by 6.4 per cent annually

over the next six years, although some economists con-

expected rise in employment and production.

THE way appears to have been cleared for Societé Generale de Surveillance (SGS) of Switzerland to be awarded the contract to prespect cargoes destined for Philippin Butler reports from Manila. This follows the resolution of a dispute in the Philippine

The compromise agreement between the Finance Ministry and the Customs Bureau will reduce the number of intries in which SGS was planned to act as an agent for the Philippine Govern-ment, while the Philippines will despatch more of its own customs attachés overseas.

Mr Robert Tanada, customs commissioner, had objected to the cost of the

According to central bank exchange rate, low inflation, statistics, non-oil imports, and the end of capital flight excluding raw materials for that plagued the economy until that plagued the economy until early this year. excluding raw materials for garments and semiconductors to be re-exported, rose by 33 per cent in dollar terms during the first eight months of the year. Imports of raw materials and intermediate goods rose by 47 per cent, while capital goods inverted increased. The International Monetary Fund (IMF) is expected to ap-prove an agreement with the Philippines next Friday which will lead to the availability of a

Mr Jaime Ongpin, Finance Minister, argued that the cost was irrelevant because of

higher revenues that would

accrue to the Government.

During 2 one-and-a-half month period in which SGS was inspecting Philippine-bound cargo 79 per cent of cargoes were shown to be

under-valued or misdeclared. SGS was able to recover

revenues equivalent to 11

times the contract value, which is based on 0.85 per cent of the value of cargoes

Mr Ongpin said that the contract would be worth 300m pesos annually (£10.1m) based on projections from the

facility in November.

This will automatically trigoptimism partly on the strengthened fundamentals of the economy the stable ger the release of \$350m of new money from commercial banks

pended in April.

This will in turn trigger approval of a \$300m World Bank conomic recovery loan in December, The World Bank is also encouraging the Japanese Export-Import Bank to co-finance another \$300m loan. A further \$300m loan involving the Asian Development Bank is a

Mr Ongpin said that last week, applications to participate in the government's debtfor-equity conversion programme had reached \$182m, with \$18m approved. The programme gives creditors access to cheap pesos for investment in the country.

The government has also announced that an auction system for government treasury bills would be reintroduced from next Friday. Mr Ongpin predicted that this would lead to fur-ther declines in interest rates, now about 12.75 per cent for treasury bills.

The government introduced negotiated treasury bills at high interest rates—up to 50 per cent—in 1983 to remove ex-cess liquidity from the economy and reign in a raging inflation that peaked at 50 per cent in

The measures brought the economy to a halt, with gross domestic product shrinking by more than 9 per cent over 1984 and 1985. Mr Ongpin said the de cision to return to an auction system reflected the stability that had returned to markets.

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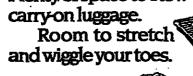
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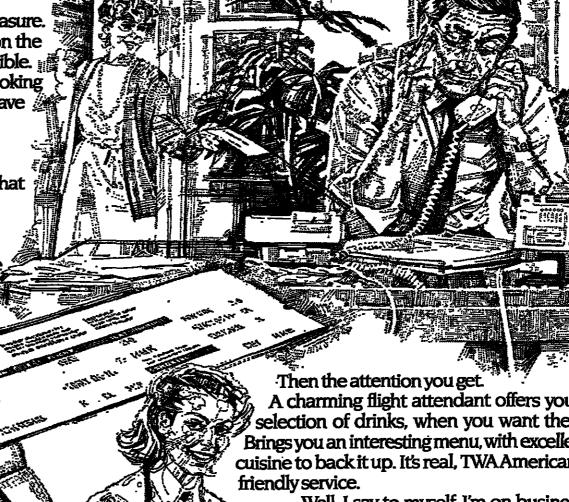
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Labour 'would remain in Nato'

By Michael Cassell, Political Correspondent

LABOUR has no intention of leav ing Nato, although it believes the organisation's defence strategy is no longer credible and will be try-ing vigorously to change it, Mr Den-zil Davies, the party's defence spo-

Mr Davies said that Labours non-nuclear defence policy was not incompatible with Nato membership, and that the party was committed to changing. Nato strategy on nuclear and conventional de-

He emphasised that, under a La bour government. Britain would stay in Nato, even if other member nations insisted on the retention of nuclear weapons, because the orga-nisation still represented the best collective delence option for the

independent television: "We will still live within a nuclear Nato. but will be pushing at a door which we believe is slightly ajar." As a sovereign state Britain was free to re-move all US nuclear bases from its soil, a decision which he hoped would a catalyst for changing present Nato defence policies.

ENGINEERING EMPLOYERS REJECT GOVERNMENT PROPOSALS

Profit wage-rise link rejected

BY PHILIP BASSETT, LABOUR EDITOR

GOVERNMENT PROPOSALS for laid out in the Government's consullinking pay rises to profits are firm-tative Green Paper on the issue – ly rejected today by the largest that it could increase employee single-industry employers' body, the Engineering Employers' Feder-

Its unfavourable response to the Government's plans for profit-related pay (PRP) is a blow to ministers' hopes of securing acceptance among employers - particularly when it seems likely that the pro-posals will receive a cool reaction this week from the Confederation of British Industry (CBI), of which the EEF is the largest member.

The EEF, which represents about 5,000 companies, covering more than Im employees directly, rejects the three main ambitions for PRP

identification with their companies, increase pay flexibility and help im-

In its submission to Mr Nigel Lawson, Chancellor of the Exchequer, the EEF "accepts the desira-bility of making progress on all three objectives; but concludes that the PRP proposal does not give sufficient promise of providing a means of making broad progress on

Dr James McFarlane, EEF director, says in a letter to Mr Lawson: "Our impression is that many man-ulacturing enterprises would find it more difficult to take advantage of

not engaged in the competitive production of physical goods - let alone goods that take a long time, and re-

The main points of the EEFs obiections to PRP include: Employee identification. The federation says that PRP's underlying assumption that the greater the amount of employees' pay at risk, the greater will be their positive identification with their company is

Employment and pay flexibility.
 The EEF says the operation of PRP would tend to act as an incentive to

the PRP scheme than would some ing employment. PRP would also other types of enterprise which are not isolate employees from the pay trends in various intersecting la bour markets.

> "formidable complexities" in negotiating PRP at the same time as normal pay rises, the EEF says that any PRP payment might not take place until up to 21 months after the start of negotiations on it.
>
> Tax relief. The EEF says that the tax relief offered by the Government is too small to interest many

ship provisions, and relating pay to

scheme, the EEF is proposing an extension of employee share owner-

C. E. Heath faces takeover approach

BY CHARLES BATCHELOR £150m for C. E. Heath, the international insurance broker and underwriter, is expected to be lannehed today by one of its leading insur-

The bid, which Heath is expected

A TAKEOVER bid worth at least trolled by Hambros, the merchant profits in the present year.

banking group, Heath's profits have been hit ress and changes in insurance carries out a lot of its business. It to resist, would cut across plans an-made a pre-tax profit of £30.37m in nounced earlier this month for the the year to March 1986 compared company to merge with Fielding In-surance, a broker which is con-expects a significant reduction in the announcement that Heath was

The identity of the bidder and the

hid terms are expected to be ancently by a decline in its broking nounced today, but speculation in business and changes in insurance the insurance market has focused on Stewart Wrightson, Willis Faber, Hogg Robinson and PWS Interna-tional, all major brokers, as possi-

in talks with Fielding. This deal, it was felt, would not provide the answer to the manage

Under the terms being negotiated with Fielding, Hambros would take a 20 per cent stake in the combined group. Heath would buy Fielding on a share-for-share basis but the The hid has been prompted by merged operation would be ma-

companies 'will stay with BT'

A LARGE majority of UK compa-nies say they have no plans in the next two years to switch any part of their telecommunications traffic from British Telecom to Mercury Communications, the Cable and Wireless subsidiary which is the sole competitor to BT's main net-

This is the most algorificant conclusion to be drawn from a regular survey of companies in every indus-trial sector carried out in the past two weeks by the management con-sultancy Price Waterhouse.

The survey, now in its seventh year, canvasses opinions on data processing and datacommunica-tions from a panel of sume 500 companies every three menths.

It shows that of the companies questioned, 86 per cent indicated that they had no intention of shifting any part of their communica-tions traffic to Mercury in the next two years, while a mere 2 per cent said they intended to use Mercury for 50 per cent or more of their comtions business.

The strongest demand for new te-ecommunications lines has been in the City of London in the run up to deregulation on October 27.

Majority of Jaguar peace move expected to secure return to work today

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

JAGUAR MANAGEMENT has made an important concession to the 800 workers on strike at its Coventry factory in a move to end the dispute which has halted all saloon car assembly, including the newly launched XI6.

Union leaders were confident last night that what they described privately as a climbdown by the comshould ensure a return to work today.

They believe the walk-out, which

drew support from kundreds of other workers, will strengthen their hand in crucial pay negotiations vhich reopen tomorrow. There is still a wide gap between

the unions' demand for an immedicent - and the company offer of a two-year deal, yielding 525 per cent in the first year and 425 per cent in the second

agement were clearly surprised at the depth of feeling over a dispute which flared on Thursday and centred upon the use of industrial engineers, traditionally known as the time and motion men.

Jaguar took a tough line through-out Thursday and Friday insisting that the 800 workers must return before discussions about the industrial engineers could begin.

on Friday; a mass meeting of the tious line in the pay talks. strikers for the second time over-

withdraw the industrial engineers for two days while disc.

Jaguar said last night: "Clearly

there are some deep-rooted problems which we need to explore." The dispute could has for Jaguar as it seeks to capitalis on the enthusiastic press reception given for its new car, launched less on the enthusiastic press re than two weeks ago after a £200m

six-year development programme. Sir John Egan, the chairman much praised for the quality and productivity turnsound he has achieved at Jaguar, has made clear he is determined to realise the ensi ate £20 a week rise - around 15 per savings designed into the new car. The shop floor workers are equally conscious that the negotiations with the industrial engineers over

the coming weeks on the time and effort required for particular jobs will determine their working conditions for the next decade.

The car, which only went into production six weeks ago, is now running at a weekly output of 150 and must be pushed to 900 over the next 12 months.

Union leaders, nervous extent of shop floor militancy in a city where unemployment has climbed to a record high of nearly The position deteriorated quickly 18 per cent, have so far taken a cau-

They will go into tomorrow's ne turned the recommendation of their gotiations much buoyed by the senior stewards and voted not to events of the past few days. One consider the issue until next Thursday. According to union sources, all as surprised as the management at the support that was forthcoming realized out in constant. walked out in sympathy. for the assembly track workers.

The company, in urgent talks There is clearly a deep feeling of called with the senior stewards over unrest within Jaguar."

Ford wins defence order for 3,000 diesel cars

FORD WILL supply the Ministry of Defence with 3,000 diesel engined cars over the next three years under the terms of a contract announced at the Birmingham Motor Show yesterday, Hazel Duffy

As is customary with fleet car sales, the value of the contract has not been revealed. But at showroom prices, the diesel engined Escort estate cars would be worth more than £17m, making this possibly the biggest order for diesel powered cars placed in Britain. Most of the cars will be supplied from the Ford Halewood plant on Merseyside, in north west England

Telecom and the Post Office with vans and cars powered by the 1.6 litre front wheel drive die which will go into the Ministry of Defence staff cars. The engine accounts for nearly 30 per cent of all UK car and light van diesel sales sold so far this year. The main part of Dagenham's production of the engine, however, has been exported to Ford plants elsewhere in Europe.

US-owned health care company, Johnson and Johnson, has reached a radical deal with unions representing manual workers at its UK or in the department of social and manufacturing and distribution economic research at Glasgow Uni-plants which includes placing versity, says that available evidence clerks in the same salary range as fork lift truck drivers and skilled companies are overwhelmingly technicians in the same band as non-union, and that there is some personnel officers.

the manual unions, but rejected by members of the white-collar union Apex. Discussions with the union - ALMOST a third of the 29,000

O THE Labour Party is this week government to allow more time for dustry have been made re-debate on the Financial Services since April, the union says.

through the House of Commons.

The Bill has already had a rough ride in the House of Lords, suffering several defeats and subject to hundreds of amendments. The government has been repeatedly ac-cused on all sides of mismanage-ment in its handling of the legisla-tion and last week it announced another batch of amendments at the

last-chance, third reading stage. There are two more days for debate in the Lords and the Bill is then expected to return to the Com-mons next week, where the govern-ment is thought likely to allocate one day for its final consideration.

□ HIGH-TECHNOLOGY companies operating in the UK tend not to be unionised, according to a forth-coming academic survey of the in-dustrial relations policies of em-

ployers in the high-tech area.

The results of the study will reinforce the daunting problems faced by those unions which are trying to gain a toshold in the high-tech sector, regarded as offering good prospects for employment growth and from that an increase in union Mr Phil Beaumont, senior lectur

economic research at Glasgow Unitends to support the idea that such support for the notion of a new, The deal has been accepted by much more paternalistic, management approach in this area.

are still continuing with the aim of workers in the UK offshore oil and reaching agreement by the end of gas industry could be made redunthe year.

try to reach common terms and conditions between traditionally blue and white-collar employees, with Peter Walker, and Transport Secretary Mr John Moore as part of a campaign it launches today to press The union is seeking urgent the government to stimulate employment in the offshore industry.

If the Labour Party is this week likely to step up pressure on the government to allow more time for dustry have been made redundant debate on the formula Service Ser

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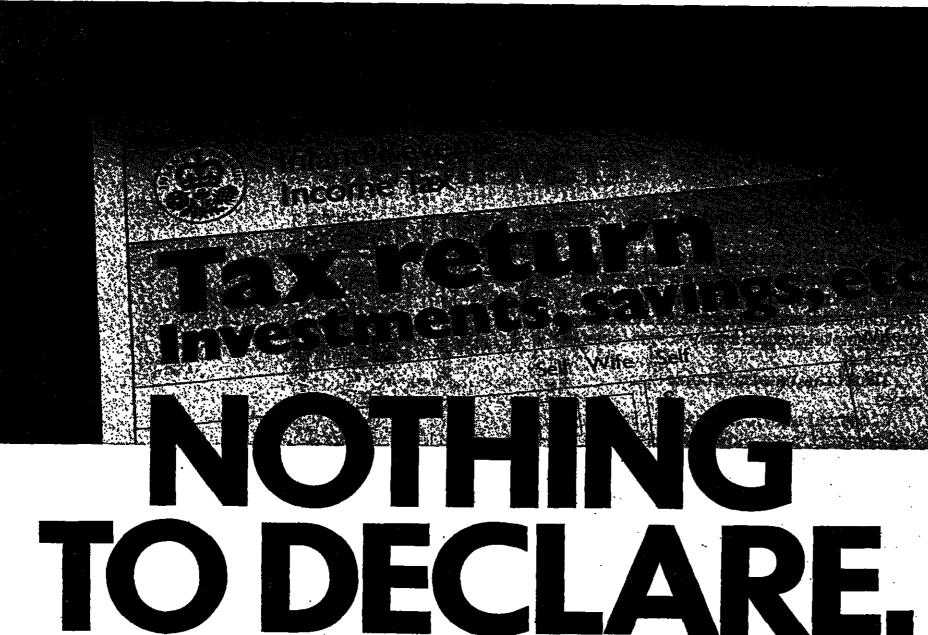
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UK NEWS

BBC faces row over political independence

political independence following a decision by the BBC's Governors to try to reach an out of court settlement with two Conservative MPs who were taking libel actions against the Corporation.

Settlement of the libel actions, which has still to be formally announced in court, was understood to have been reached late last week following a meeting of the BBC's Governors last Thursday.

The libel actions were brought by the two MPs - Mr Neil Hamilton and Mr Gerald Howarth - following a Panorama programme broadcast

This programme, entitled Mag-gie's Militant Tendency, purported to show that both MPs were linked to extremist right-wingers trying to infiltrate the Conservative Party.

The action brought by Mr Fiamilton was already under way but was halted on Friday so that out of court

discussions could take place.
The proposed settlement is understood to involve paying damages of £20,000 each to the two MPs as well as their full legal costs – estimated at £200,000 at least – and to broadcast an apology. The BBC said yesterday that it was unable to nake any comment.

However, the BBCs apparent climbdown over the libel actions is likely to lead to a public row over its journalists and senior management are understood to be concerned at the Governors' failure to support the Panorama programme, espe-cially since an internal investigation had suggested that the BBC had a strong defence to mount against the libel actions.

Some BBC journalists are bewed to see the case as similar to the controversy surrounding the Real Lives documentary prowere made in a programme about Northern Ireland

Mr John Foster, broadcasting or ganiser for the National Union of Journalists, said that BBC journalists were appalled at the apparently chaotic manner in which a decision to settle the libel action had been reached. In the last few years the NUJ has been forced on several ocand standards of the BBC in the political interference," he added.

The BBC was also criticised yes-terday by another Conservative MP

Peter Riddell outlines Conservative legislative plans

Government gets its second wind

ernment's legislative plans up to deed, the dozen party policy groups union law hinted at, but nothing and beyond the next general election has emerged since the Conservative Party conference and on the eve of the reopening of Parliament after the summer recess.

Nevertheless, in a number of key mion elections and, less likely, measures affecting strikes in essential services and legally enforceable

The striking feature of the conference was that the Government appeared to get its second wind. Transport Secretary and rising star of the Conservatives free market Steel.
wing, said on Friday: There is a Approval of expanded nuclear new confidence in the party. In Bournemouth we showed that we have lost none of our radicalism.

At the conference itself only snippets were given about long-term thinking - for example on the deregulation of rented housing - partly because firms decisions have not and wives.

ifesto have only just started work.

icy are apparent:

Privatisation of most of the rest

Rates reform in England and of state industry. Water authorities are definitely on the list, which may also include electricity supply and Post Office as well as the injection of private capital into parts of British Ball, British Coal and British

power programme depending on timing of the decision of the inquiry into Britain's proposed first PWR reactor at Sizewell in Suffolk. Reform of personal taxation sys-tem with introduction of transfer-able allowances between husbands

Wales to be top priority post-election and changes to be introduced

 Ending of rent controls on new tenancies agreed with new category of registered landlords, but not afmeasures to fulfill pledge of 1m more home owners by 1991.

• Major educational reform. Details undecided but likely to include expansion of parental choice and financing schools on an open entry basis of payments per pupil. Also a new package of loans, grants and

 Further measures to encourage share ownership to fulfil pledge of doubling number of individual direct shareholders in life of next parliament.

However the postponement until after the next election of some controversial measures such as water privatisation and English and Welsh rates reform will mean a lighter Queen's Speech on November 12 than in recent years. The prepared the 1986-87 programme on the assumption that all the pro-posed bills will become law by the

the start of the 1987 summer recess, to leave open the option of an au-tumn general election.

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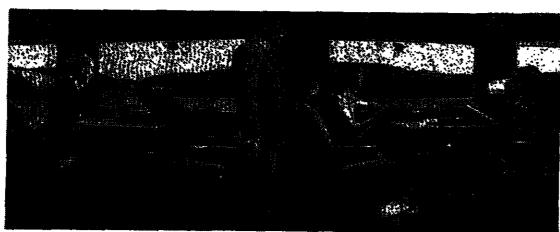
AN AIR travel credit card, Airplus, pointed managing director. The Icelandair, KLM, Infthansa, Sabe-has been launched by a company card is designed to provide corpo-na, Swissair and TAP.

lines, Mr Karl-Heinz Neume secretary-general of the AEA, said that the Airplus card "has been de-Association of European Arranes and mast year.

Airlines prepared to accept the signed to match current and future electronic transaction systems such as airline automated ticket macredit card company, has been ap-

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UK NEWS

British paper industry 'on expansion path'

THE UK paper industry is back on per cent from its low point eight tonnes. us ago of 3.85m tonnes.

The firm's UK Paper & Packaging Directory, a standard reference

A further 21 per cent of capacity says the study.

THE UK paper industry is back on the expansion trail, according to a study from stockbrokers Alexander, taking & Cruickshake Capacity, at tonnes, and D.S. Smith, which is seen output fall by nearly half since 147m tonnes, has risen by some 16 now fourth largest with 282,000 1578, from 2.88m tonnes to 1.62m. "The decline now seems over",

source for the industry, takes its most positive view of the industry for a mumber of years. The study says that 30 per cent of present capacity is represented by new or rising forces in the industry.

Interessed their combined outber of new forces have emerged on put since 1978 by more than 20 per the stock exchange, concentrating on paper and related sectors. These include Davidsons (part of BPB Inmoved against the general trend, dustries). Ferguson Industrial Holdwhich has left current capacity still ings, Low & Bonar. Norton Combined outber of new forces have emerged on put since 1978 by more than 20 per the stock exchange, concentrating on paper and related sectors. These include Davidsons (part of BPB Inmoved against the general trend, dustries). consists of 18 papermakers who have increased their combined outber of new forces have emerged on

BY DAVID FISHLOCK, SCIENCE EDITOR

ELECTRONICS, advanced materials, health care and food are the four key targets on which the Brit-ish chemical industry should concentrate in the 1990s.

They are the markets picked out Although the chemical industry is ing areas of research with physics in a study by the Chemical Indus-Britain's most research dominated and chemistry working hand in

development, urges the industry to focus on "emerging areas which are likely to be additional major contributors to our industry in the first of the main new areas of optonical major."

portunity is electronics and optoelectronics, one of the fastest-movtries Association, the trade body for industry, spending £349m last year, hand to break new ground in terms there is an "abysmal lack of knowling there is an "abysmal lack of knowling

New gas fields can vary output

TWO new gas fields in the North Sea, which will be able to meet about 7 per cent of average winter gas needs in the UK, are ready to

The fields, Sean North and South, have cost £360m to develop, and are unusual because they are able to vary output to meet demand. The only other gas field of this type is British Gas's Morecambe Bay field.

Chemical research targets pinpointed

The fields, which are located about 70 miles off the Norfolk coest, have been developed by Shell and are the largest investment that the company has made in the last 15 years in the southern care beginning to t years in the southern gas basin.

The Sean fields will only produce

gas during the peak winter months and will be able to meet demands from British Gas for up to 600m cuhic feet a day,
In return for the uncertain pro

duction flow, the partners in the field - Shell, Esso, Britoil and

US tourism decline 'disastrous for hotels'

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

THE SHARP decline in numbers of Or blacks or gays," says Mr Rubin-US tourists to Britain this year is likely to lead to a "dramatically disastrous year for the hotel trade," according to the edition of the Good Hotel Guide published today by the Consumers' Association.

The guide says the stay-away Americans - some 40 per cent fewer have come to the UK so far this year - is likely to put some small luxury hotels in financial difficulties. "Big international chains can more easily weather one catastrophic year than an individual owner, points out Mr Hilary Rupoints out Mr Hilary Rupinstein, the guide's editor.

ter, even if fears of terrorism and the Chernobyl nuclear disaster had not discouraged American tourists, then Mr Rubinstein search of the control of the co then Mr Rubinstein says the attitude of hotel industry staff towards Americans may have led to fewer

There is a growing fashion to denigrate Americans. Behaviour as distasteful as anti-Semitism of mindless prejudice against women

In one sophisticated hotel in the Scottish Highlands, he reports, the owner openly broadcast his anti-American views in the bar and continued unabashed even when Mr censed beggary – licensed by custom if not statute," the guide says. ing companions were Americans.

relief that there would be a preponderance of British guests: Americans, he said, were just a lot of trou-ble."

end, then bully for him!" This tenth edition of the guide, however, praises the "great improvement" in hotel food over the decade and adds that hotel stan-

dards have risen steadily.

anachronism" of service charges in hotels. "We have no wish to reflect the generous impulses of those who want to reward special kindne beyond the call of duty, but the

Hotel customers are urged to em-Even at Cliveden, Britain's most bark on a campaign of "civil resisexpensive country house hotel, Mr Rubinstein says that a staff member "volunteered his pleasure and not included," write on it "Why not?," the guide suggests. "If your bill says a service charge has been added and you've received shoddy service, don't pay up without a

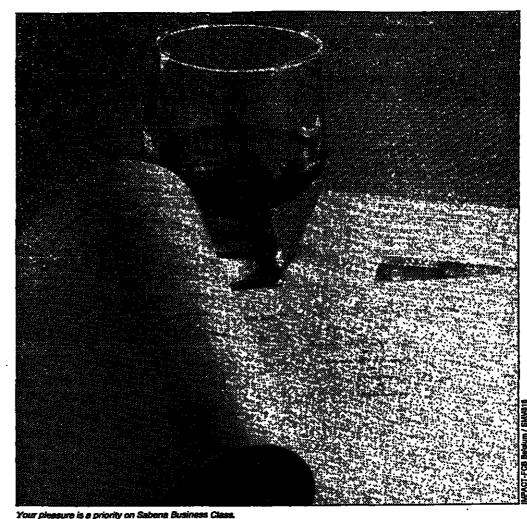
The top award for "comprehensive excellence as a luxury country house hotel went to the Ston Easton Park hotel at Ston Easton in Somerset. The best town hotel was The Castle, in Taunton, Somerset, while the best seaside resort hotel was the St Tudno Hotel, Llandudno. in North Wales.

But the guide is continuing its • The latest round of price promo-campaign against the "scandalous" tions offered by the leading pack-

terday with Horizon Holidays cut-ting the price of 50,000 holidays to Majorca by 10 per cent. This follows Thomson Holiday's move on Friday of cutting up to £40 for some of its Majorca holiday next summer booked through its Skytours subsid-

Intasum, another of the leading operators, is today launching the first of nine summer holiday chures and is expected to include a number of promotional price cuts. One smaller tour operator, John Hill Travel of Richmond, Surrey was quick off the mark yesterday to offer holidays to the 1992 Olympics in Barcelona. Customers will pay a £50 deposit which will then be invested in British Airways shares when they come onto the market next year. These shares will then be sold in 1991 to pay for the cost of the Olympic holiday.

*1986 Good Hotel Guide Consumers' Association and Hodder & Stoughton, £9.95.



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British sights set on becoming biggest financial: Market

City sets out securities challenge makers

BY BARRY RILEY

LONDON'S CHALLENGE to the bourses of Continental Europe was of Morgan Stanley, the New York-clearly set out at last week's Euro-based investment bank, said that a wards an Integrated European Firities firms to join the new international stock exchange in London and help to build it into the world's

biggest marketplace.

Mr Stephen Raven, a London stock exchange council member who has been closely involved with the exchange's proposed merger with Isro, the international dealers' organisation, said that the stock ex-change and Isro had come to the in-escapable conclusion that together

bal investors could obtain a full ser-vice product.

These firms will tend to draw

the Committee of the European

Stock Exchanges emphasised the

problems in changing the old fixchange and Isro had come to the conclusion that together they could make the UK into the markets to where their principal activities are located. Obviously,

ing.
"What is happening in London will affect you all," he told members of more than 12 national societies within the European Federation of Financial Analysts Societies (Ef-

fas).
"What we are doing is building an international market today which could well become the unified European financial market of tomorrow. I hope that all of you will consider becoming part of this market."

pean analysts' congress in Florence, small group of firms would emerge nancial market."

Italy, with a call to continental secu- as global supermarkets, where glo- Mr Xavier Dupont, chairman of

nancial centres."

Mr Cox said that local securities

ket or that international firms stay

out of various domestic markets."

He noted that the London stock London prepares for the Big Bang

> ing-based systems used by many Continental bourses to continuous trading methods, while even different markets within the same coun-

firms should react by improving their research product and the quality of the domestic market. He added: "Such measures will not, I tem sponsored by the European added: "Such measures will not, I tern sponsored by the European suspect, be enough to ensure that Commission, was only moving all business stays in its home marahead slowly. Mr Dupont said that the implementation of a second stage of this project would be dis-The shadow of London's Big cussed at a stock exchange's execu-Bang restructuring, only a few days tive committee meeting

try were finding it hard to achieve

The urgency of the situation was emphasised by Mr Patrick Lannoy, a Brussels stockbroker. Stock exanges had to adjust their methods if they were not to be left trail-

exchange had "sacrificed itself as a stock exchange and has become a financial trading centre." Mr Jochen Neynaber, a German

speaker, gave a warning that if London were to become the time zone centre for Europe "Frankfurt, Milan and Zurich will be the prov-inces, particularly if we continue to be unable to synchronise our dealing and settlement methods." Mr Neynaber, from Schröder,

Münchmeyer, Hengst & Co. in Frankfurt, said that on the main Continental hourses the 10 most active stocks in each case represented between 30 and 50 per cent of local "Our business will be much more

trading driven and in addition to our product we will have to commit more risk capital in order to succeed in a more competitive world."

Market struggle to handle technology

IT WAS every bit as had as the computer experts had said is was going to be: the final confirmation of those predictions over the past year that Seaq, the Stock Exchange Automated Quotations system, would be ready for the market makers but that the market makers' systems might not be ready for Seaq.

some 32 serious computer problems were reported to the exchange during Saturday's rehearsal of which 30 were fixed by the end of the day, but many market makers are convinced. their systems are not fast enough to cope with trading after October 27 and that the rema week will not be sufficient to cure the faults.

The exchange, however, was laiming a success for its central claiming a success for its central systems. The Seaq computers in the Stock Enchange tower and the exchange's technical headquarters in nearly Christopher Street, woke at their appointed time and were ready for the first market-makers to "log-on" (connect) at 8 am.

By 8.45 am the system was handling 17 transactions a second, each transaction representing a quote put in, well within the system's tested capacity of 40 transactions a second.

Mr Michael Newman, head of nformation systems at the Stock.
Exchange, said Seaq had spare
capacity all day; it had coped
easily with the load. Regular trials showed that any quote put in using the exchange's own market maker ferminals would change on the Seaq screen within two

It was not, however, a faultless performance. The alarm bells rang regularly in the exchange's impressive technical control ceatre as teams of systems engineers cured minor problem after minor

ferent story. Those who found difficulty logging on or inputing quotes or trades included Kitcat & Aitken, Akroyd and Smithers, Scringeour Vickers, Wood Mackenzie, W. Greenwell and

Kleinwort Grieveson, which had identified a number of problems during the first equities rehappier. It had a good afterpoon's trading after a difficult

ng the firms with the biggest problems there is a great deal of hitterness over the timescale allowed and co-operation extended by the exchange. At a press conference after Saturday's rehearsal. Mr Patrick Mitford-Slade, head of the excha special projects committee, said dismissively that if there were, faults in the members' systems, then that was their respo

But a systems specialist working for a major gilts dealer summed up the views of many in the the past few weeks when he complained of poor co-operation, saying the exchange had used up its supply of goodwill.

Its supply at goodwin.

In the context of major technological developments, the problems reported on Saturday were nothing out of the ordinary. What is worrying members is the lack of time to put them right and the fact that real money will be involved from next Munday. be involved from next Mor

Philips and Drew Mouledele (PDM), the gits market maker, which has been working on its Germin market information and Future Systems position keeping through Saturday comparatively unscathed, despite a 90-minute break in service from the Bank of England Central Gilts Office caused partly by problems in starting up the system in the morning and partly by a small fire ("It was a routine day's trading." Mr Eddie George of the Bank of England said later).

Market makers find the going • tough but learn to solve snags

day's dress rehearsal for Big Bang up. But it picked up."
was that handling the new market BZW and Warburg

change's own systems for dealing in equities were working adequately first time moved away from the and that, whatever the defects in offices alongside their new broking onds for SEAQ prices to be changed and that the fault must lie with the

losses after Big Bang.
Nevertheless, several firms such
as Wood Street Securities which faced a series of computer problems in the morning, are planning an intensive programme of internal re-

hearsals over the next week.

Most of the firms who were apprehensive on Friday and distraught when their systems failed to link up satisfactorily on the Saturday morning, relaxed as the day wore on. According to Mr Tim Coghlan, head of the UK equities division of Barclays deZoete Wedd:

The sinck exchange from win sour for the 62 most actively-traded "alpha" securities. But thereafter the rules would have to be enforced Une figure who seems likely to be on the stock exchange floor because of prime importance in the new market is the sales trader.

THE CONCLUSION of most of the There was a fair feeling of deprespost-mortems held by stock ex-change firms after the end of Satureverything seemed to be clogged

BZW and Warburg, which incorpractices proved tough at the start porates stockbrokers Rowe and Pit-but their market-makers had learnt man, Mullens and jobbers Akroyd quickly.

At the very least, the rehearsal demonstrated that the stock exchange's own systems for dealing in change's own systems for dealing in day, most of their dealers for the first time moved away from the first time moved away from the market-making firms in the pre-Big former prices. colleagues. Mr Peter Wilmot-Sitwell, chair-

man of Warburg Securities, said that one of the probable conclusions from the day's trading was that they had left too many dealers on the stock exchange floor and not enough on the telephone. Most bro-kers believed that the day's events kers believed that the day's events supported the view that dealings on the stock exchange floor will soon be limited to small bargains and be limited to small bargains and the securities. But thereafter the

Gilts rehearsal free of hitches

puter terminals on the Stock Ex-change Automated Quotations Sys-tem (SEAQ) and therefore would have been obliged to deal at their Some firms blamed SEAQ for the

refusing to answer their tele-phones. The reason in many cases was that they were unable to up-

date their prices through their com-

Mr George Hayter, director of the stock exchange's information services, said after the rehearsal that the exchange would probably give firms a few days' grace after Big Bang before enforcing the requirement that firms deal in the prices

Legal Notices

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF COLORADO

STORAGE TECHNOLOGY CORPORATION:

STORAGE TECHNOLOGY LEASING CORPORATION, et al.,

Chapter 11 Case No. 84-B-5377-J-Cloint Administration Case Non. 84-B-5377-J

NOTICE OF (I) HEARING TO CONSIDER CONFIRMATION OF PLAN; (2) TIME FIXED FOR FILING ACCEPTANCES OR REJECTIONS OF PLAN; (3) TIME FIXED FOR FILING OBJECTIONS TO CONFIRMATION OF PLAN; AND (4) TIME FIXED FOR FILING OBJECTIONS TO THE ASSUMPTION OF EXECUTORY CONTRACTS PURSUANT TO THE PLAN

To All Creditors, Equity Security Holders and Other Parties in Interest:

PLEASE TAKE NOTICE that following a bearing thereon held on October 6, 1986, the United Standard Forces: for the District of Colorado (tha "Court") approved an Amended District of Colorado (tha "Court") approved an Amended District part Statement District on Standard Standard Theory Statement District on Standard Standard Standard Theory Standard Stand

PLEASE TAKE FURTHER NOTICE duts hearing will be held on December 9, 1986, on M. in Countrown 202, United States Courthouse, 1929 Stout Street, Desiver, Colonado 1902 mation of the Plan. The hearing may be comissed from thus to from without further notic PLEASE TAKE FURTHER NOTICE dutously thous holders of record of any of the Debtors' public parties as of the close of business on Occober 3, 1986, shall be entitled to vote to accept or reject r

PLEASE TAKE FURTHER NOTICE that the Court has directed that ballots accepting or rejecting the Plan Ill only becomind if returned to the Dobbars of that they are received no later than 5-00 P.M. Mountain Standar shall only be constadif returned to the Debterase that it Tame on December 4, 1986. All Creditors and Security

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W. Dean Seiter, Esq. Stephen Snyder, Esq. HOLME ROBERTS & OWEN

Suite 900 Los Angeles, CA 90030

OFFICE OF THE UNITED STATES

stang legal authority, and be filed with the Court and

John Richards Lee, Esq. SECURITIES & ENCHANGE

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Brace H. Spector, Enq. and Brace Ben members of Summan, Treiner & Clast Professional Corporation 3699 Withing Boulevard

Los Augulea, California 90(90) Telephone: (213) 251-5100 W. Dean Salter, Esq. and

Company Notices

FIDELITY INTERNATIONAL FUND N.V. Registered Office: Schottegatweg Oost, Salinja

To the Holders of Registered Certificates and Bearer Certificates

FROM AND AFTER NOVEMBER 3, 1986
Bank van de Nederlandse Antillen (Central Bank)
Consignment Facility for Fidelity International Fund N.V.
Breedestrant No. 1 (P), Curação, Netherlands Antilles

It is suggested that Holders who mail their Certific registered mail, insured, since the risk of loss of Share Cer be borne by the Holder.

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For the three months, October 7, 1986 to January 6, 1987, the rate of interest has been fixed at 6 7/16 % P.A.

The interest due on January nr. 7 will be \$U\$ 164,51 the actual number of days

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According to Clause 4(c) of the terms and conditions of the Notes, notice is hereby given that 2,500 Notes of the above-mentioned issue (USS10,000 each, numbered from 0,001 to 2,000 and from 2,701 to 3,200 have been repurchased and will be redeemed on 31 October, 1985. Therefore, the Notes outstanding after the interest payment determine the control of the control of the Notes outstanding after the interest payment determine the control of the Notes outstanding after the interest payment determine the control of the Notes outstanding after the interest payment determine the Notes outstanding after the interest payment determine the Notes outstanding after the interest payment determine the Notes outstanding after the interest payment determined the Notes outstanding the Notes of the Notes outstanding the Notes of the Notes outstanding the Notes o

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Notice is bereby given that, pursuant to the Plan of Liquidation and Reorganisation adopted as of March 20, 1986, as amended, of Fidelity International Fund N.V. (the "Fund"), the Liquidators of the Fund intend to deliver on November 3, 1986 to a consignment facility of Bank van de Nederlandse Amilien (Central Bank), Curaçao, Netherlands Amilies, liquidation proceeds for the benefit of Holders of Registered Share Certificates and Bearer Share Certificates of the Fund who have not surrendered their Share Certificates to The Bank of Bermuda Limited by November 3, 1986. The liquidation proceeds will consist of ten shares of Fidelity International Fund, a Luxenbourg societé d'investissement à capital variable formed as part of the reorganisation, (the "SICAV") for each one share of the Fund held by a Holder.

To receive their SICAV shares, Holders should deliver their Fund Share Certificate or Certificates (with dividend coupons numbers 10-20 inclusive attached, in the case of Bearer Certificates) to the following health:

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SATURDAY'S SECOND and final dress rehearsal for traders of gilt-edged government securities ahead of Big Bang was a much less hectic affair than the first practice session held on September 27.

The equity market had its first chance to see the Stock Exchange's vast array of interconnecting computers in action and the gilt-edged sector was able to take something of a back seat. While the stock market battled its way through two high-volume sessions in the morn-

high-volume sessions in the morn- some 15 minutes. ing and afternoon, gilt dealers fin- Nevertheless, the Bank of Eng. real thing now."

director and chief risk manager, said: Everyone is geared up for the

11



NOTES IN THE WARKET?

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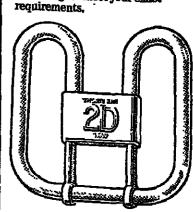
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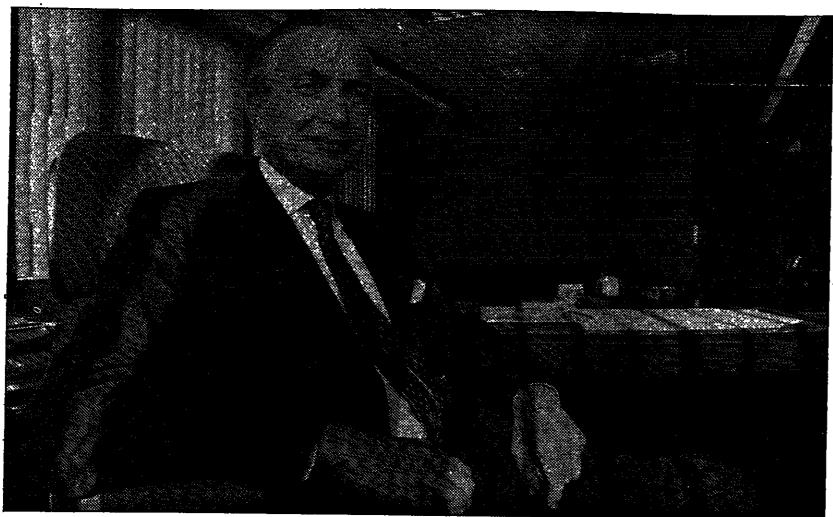
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Mobil Diesel Plus. A cure for the common cold.



Just a little nervous

INTERVIEW

Sir Martin Jacomb, leading banker and City figure, talks to John Plender about life beyond the Big

rubbish," said Sir Martin acomb as he fled from this interviewer through the backdoor of Barclays' imposing offices in Lombard Street on his way to a meeting at the Bank of England. It was a characteristically self-effacing throw-away line from a man who has away line from a man who has been intimately involved in re-shaping Britain's financial struc-ture before the Big Bang and in assembling one of the country's biggest financial conglomerates. Sir Martin, whose portfolio of top City posts includes a directorship of the Bank of England along with deputy chairmanships of Barclays and the Securities and Investments Board (the SIE), could fairly claim to be one of the City's most influential figures. That is, however, almost certanly the

is, however, almost certanly the last thing he would ever do. despite having played a key role Committee in influencing the changes on the Stock Exchange and a similarly heavyweight role in inventing the SIR. role in inventing the SIP, which is to be the top watchdog in the new system of regula-tion outlined in the Financial ing margins to the banks' larger

For a former barrister and one-time tax correspondent of the Financial Times, he is quite remarkably given to understate-

HOPE that wasn't all ment Sir Martin moved from ubbish," said Sir Martin merchant bankers Kleinwort merchant bankers Kleinwort Benson to oversee the merger of Barclays Merchant Bank, brokers de Zoete and Bevan and stockjobbers Wedd Durlacher Mordaunt in mid-1985. Unless his experience has been unique in the great tidal wave of mergers that has engulfed the City, he must have had some dark moments trying to reconcile the highly structured managerial habits of the clearing bank with the more inspirational (and more expensively paid) style that goes with investment banking; so, too. with the contrasting cultures of merchant bankers, brokers and jobbers in the combined Barclays de Zoete Wedd. Yet the problems are firmly played down.

"They are no more difficult in Barclays than any major com-mercial bank," he argues; and context of the changes now tak-ing place in the world banking market—most notably the tread for big companies to by-pass the banks and go direct to the securities markets for finance and the related squeeze on lend-

ferent constituents; we are operating with a single BZ# thos. I'm very pleased with the speed with which all our people have adapted to the new world." He is sanguine, too, about the progress that has been made in fitting BZW into the Barclays group.

Personal culture shock on reisonal culture shock on moving into a giant bureau cracy? Hard grind in implementing the merger? "Nothing untoward" is Sir Martin's message, along with glowing tributes to the clearing bankers. "It's bound to be hard for anyone to adjust to such a big organisation as Rayeleys one organisation as Barclays, one which obviously requires a much more structured manage-ment style. I won't pretend it's been easy—I never expected it to be. I don't expect next year to be easy either. But it will be more enjoyable in the sense that there will be more concaitration on doing the business than in organising ourselves to

That is not to say that Sir Martin sees no difficulties in the imminent Big Bang, which involves the abolition of fixed minimum commissions and the start of the new dealing systems in equities and gilt-edged securities. "Of course I have concerns about the technology. As we speak today, some of the tech-"Within BZW," he adds, "we have overcome the cultural differences that you might have

started that it all works. But although technological hiccups may impede the speed of progress in this initial stage, they are not going to interrupt things nermanentiv."

from the motor industry. If everyone in Britain buys German motor cars, the German motor companies are the ones which make the profits and out of these profits are ones. things permanently."

He also takes the threat of

He also takes the threat of competition from the big foreign-owned securities firms very seriously. Unlike New York and Tokyo, London is not backed by a strong domestic economy providing a large flow of domestic business. British houses are not familiar with "dual capacity" trading, in which firms are able to act both as an agent on behalf of the investor and as a market maker taking positions in a given stock on their own account. And they have smaller capital.

on their own account. And they have smaller capital.

The Eurobond market, says sir Martin, provides an object lesson in that no British house, apart from S. G. Warburg, has made a serious and lasting impact. Inevitably, after the Big Bang, some domestic firms will fall by the wayside. There will be more mergers and acquisitions by foreigners. and acquisitions by foreigners.

And the threat is not purely

Leaving aside this sorry And the threat is not purely American. "In London the Japanese are going to be for-midable competitors. We recur-nise that and have to make sure that we provide investors with the best quality service on competitive terms

Barclay's competitive advan-tage in today's markets, he be-lieves, will lie in the combina-tion of capital, worldwide busines connections and investme_it banking expertise. "This should mean that we are able to com-pete on level terms in all areas pete on level terms in all areas of capital markets business. Of course you can't catch up and deliver that standard of performance overnight but if you have the objectives clearly enough in mind you can certainly stand a very good chance of getting there. The management problems are not insoluble."

Nor is the Glass-Steagal Act in the United States, which insists on the separation of commercial banking and investment banking a serious obstacle to the transatlantic aspirations of the clearing bank head Glassing bank head Glassing bank head Glassing of the clearing bank-based City conglomerates, according to Sir Martin. The legislation will, in his view, be swept away in four

to five years time.

The Fed's ruling on the purchase by the Japanese commecial bank Sumitomo of a stake in leading New York investment firm Goldman Sachs will be an important indicator of the wey the wind is blowing. For the key to the removal of the leaslation is the need for new capi-tal in the securities business, which will reduce the securities industry's long-standing has-tiltiy to the commercial banks' demands for a more relaxed

diplomacy gave way to blunt talk, as we came to the British Government's \$4bn raid on the international capital market to top up the reserves, in which Crédit Suisse First Boston and S. G. Warburg acted as lead managers. "Of course it's a disappointment to me that the appointment to me that the comflotation at Kleinwort personal one non-British firm in the son did not enhance BZW's and one non-British firm in the son did not enhance BZW's domestic reputation. The big recent floating rate note issue, domestic reputation. The big I'll give you just a short analogy guits will surely be on his side

which make the profits and out of those profits comes the re-search into new models which search into new models which improves the economics of brying German cars and so the process is self-fulfilling. Walhave to guard very stringently against our people developing in financial services a propensity in this country for budge sity in this country for buying

foreign instead of buyng British." British."

But wasn't Crédit Suisse First
Boston employing British
people, paying British taxes and
contributing to the British
balance of payments on the current account? Diplomacy made
a come-back "I think CSFB is
a wonderful firm and did the
busines extremely well. What
I'm saying is that the business
could have ben done just as
well by a group of exclusively
British-owned firms and I would
like to see that recognised so like to see that recognised so that we don't get into the same

official failure to support home industry, has the restructuring of the City succeeded in making international financial centre Certainly London is the dominant centre in the Euro-pean time zone, says Sir Mar-tin, and when American and Continental firms have made

continental firms have made major investments in British, the resulting increase in activity tends to lead to another self-fulfilling process.

But there is no room for complacency. Both the French and Germans have become more aware of the advantages of decrepolating their corp. aware of the advantages of de-regulating their own capital markets to win back business from London. And, with the West German economy generat-ing the second largest capital outflow in the world after Japan, Frankfurt is a poten-tially dangerous comentities. tially dangerous comeptitor, Sir Martin also admits to apprehension over the cost of the regulatory system he helped devise. Unlike the American Securities and Exchange Com-

whether they have paid enough attention to the only people who can make the expensive new organisations work mission, which makes money out of vetting prospectuses, the SIB is not allowed to make a profit. And he accepts that there is a risk of scandal as a namely the clients. A study of the opinions of fund managers in a cross-sec-tion of 125 investment instituthere is a risk of scandal as a result of increased competition in the wake of the Big Bang. "I think it is quite likely that there will be some problems But people should not then say the emergence of such problems shows that this system of regulation that we're adopting is defective, because it won't prove any such thing. What it will prove is that when competion of 123 investment institu-tions will appear in next week's comprehensive FT survey of the City Revolution. But I can give a sneak preview of some of the a meak preview of some of the results of the poll, which was carried out for the Financial Times by MIL Fesearch Group.

"A disaster" was one institutional view of Big Bang, "a charter for dishonesty" was another, and "a retrograde than in all directions? will prove is that when competition intensifies and profits are hard to find, people cut cor-ners, which is a self-evident step in all directions " was a third. Some, it should be said did recognise potential benefits rition anyway

proposition anyway."

For his part, Sir Martin is self-evidently nice. Whether that diffident charm hides the steel that will be needed to turn BZW into a major force in international investment banking we shall not find out for quite some time. But it would be surprising if the man who masterminded the British Telecom flotation at Kleinwort Benson did not enhance BZW. Yet the overall impression was of a group who feared being joited out of their comfortable corners just as much as the stockbrokers—and unlike the brokers they were not being offered small fortunes to com-pensate them for their disscarcely rushing to change their own systems to adapt to

PERSONAL FILE

Deputy charman, Council for land States of Barctays and chair-Takeovers and Mergers.

Left Kleinworts to become vice-chairman of Barctays and chair-inan of Barctays de Zoete Wedd; vice-chairman Securities and Investment Board,

Director, Bank of England. Other directorships include. Christian Salvesen, Hudson's Bay Company, Commercial Union Assurance,

Reflections on the Craig affair

JOHN LLOYD

were last week given a fine essay on the theme of press freedom by Justinian. The excuse for returning to the subject is an ability to report personal experience, coupled with that experience's relevance to the professional concerns of many FT readers.

Some readers will remember that the New Statesman was prevented, by an injunction granted to the Government last week, from publishing a valedic-tory despatch to Sir Geoffrey Howe, the Foreign Secretary, from Sir James Craig at the end of his tour of duty as Ambassador to Saudi Arabia in June 1984. It was confidential: such despatches always are. It was also frank, critical, though with an undertow of affection, drawing on a wide breedth of drawing on a wide breadth of experience. In granting the injunction, the judge upheld the Government's contention that publication of the document would adversely affect relations between Saudi Arabia and the United Kingdom.

How it came into the Statesman's possession is a separate

man's possession is a separate matter from the main concern here, and cannot be discussed for legal reasons. Like all such occasions, it raises urgent ethical questions (besides the legal ones) which have to be addressed. One comment has to suffice: much confidential information which comes into the hands of a newspaper, whether verbally or in the form of a document, often involves the breach of some kind of trust on the part of the "leaker." Such material is published in media outlets

every day. Most Cabinet Ministers leak, as Mr James Prior was candid

if a general Omerta were really observed throughout public and professional life, the quality and quantity of informed journalism would be greatly reduced—though there is an argument, which cannot be dismissed, that, if they were relieved of pressure, largely from peer groups, to get "exclusives," journalists could develop otherwise atrophied thought processes to produce better analysis.

THE GLEAMING new inte-

just polishing up the last items of advanced technology and filing the final trading desk vacancies with the aid of a

grated securities firms are

But the question arises as to

golden hello or two.

increased competition.

the UK) are at times a burden on the operation and practices of business. The reason is that they can give the edge of know-ledge to competitors, or reduce customers' confidence in a given company or even country or— as in the Statesman case— they can cause anger or embarrass-ment at State and thus commercial levels. In short, a free press is putatively inimical to free enterprise even while often being a creature of it.

This newspaper knows that as

well as any. Its privileged position means that it gets commercially sensitive information more readily than others: its reputation means that publi-cation of such information carries more weight. An experience of mine, when a relatively new reporter at the FT, was not untypical. A senior and aggressive industrialist argued to me that a feature planned for the next day would ruin his consortium's chances for a huge contract in a three-cornered fight for a slice of-ironicallymarket. The feature was published; the consortium did not win the contract; we were never told if the FT's publication had contributed to that state of

That kind of pressure, usually directly on the editor himself, is constant on national news-papers. It is usually resisted: but there is not much of a social support mechanism out-side journalism for doing so. If business people are confronted with the choice between agreeing that a paper has the right to publish information it believes to be true, or, on the other hand, that it should hold hack or down it to propose hold back or drop it to prevent commercial damage (especially to one's "own side"), few would choose the former. Why publish now rather than later? Why publish these facts rather than others (like those damaging to our competitors)? More radically — do you not recognise that your "right to publish" rests only, ultimately, on a free

and prosperous economy? thought processes to produce better analysis.

But that is not the heart of the argument. This is that the people to whom I happened to

ONDAY PAGE readers "freedom of the press" and be talking last week. One or were last week given a fine essay on the theme in the public right to know two—all had been journalists in their pasts—broadly supersonable or constitutionally ensurined in ported the case. The rest were ported the case. The rest were in varying degrees hostile. A few had difficulty in continuing to observe the social courtesies.

No surprise: who does not

react to protect his self-interest? But the debating points were hard ones. They included: how far was a decision to publish motivated by hostility to the Government? Is not confidentially between public servent and minister essential for democratic govern to publish views which might damage but have no great reve-latory content and thus do not really fall into a grandiose "right to know" category?

The "right to publish/know" position does not stand up to such a barrage unscathed, nor is it able to claim unimpeded the moral high ground. But it still has this justification: that State and corporate powers are only partly trammelled by democracy, that a free and inquiring press is effectively muzzled if it does no more than accept the agenda and hand-outs of either of these powers which have only an abstract in-terest in the right to know; and that to accept these powers' classification of which information is confidential is to assume a general willingness to be open which, in this ociety especially, has not been always and everywhere evident.

At a more pragmatic level, there is clearly no direct relationship between a complaisant pres and a successful economy.
The United States has an inquiring press constitutionally
encouraged to publish, yet its economy remains dynamic. The media of most stagnant dictator-ships are muzzled.

As the unbridled instincts of state and corporate power lead

state and corporate power lead to indiscriminate secrecy, so the instincts of journalism car-lead to publishing facts directly dangerous to life and limb, or to criminality, or near it, on the part of the journalist. The first of these is unsupportable, the second a moral swamp. But it is necessary not to include in the necessary not to include in the swamp the assumption that what is good for business is good journalism and vice versa. It ain't necessarily so.



The ungrateful investor

By Barry Riley



favours and negotiate keener

commision rates.

But on average, funds appear to deal with around 25 brokers—perhaps 15 on a regular basis—and a few funds trade with more than 60 firms. Fund managers are always suggesting they will trim their lists of brokers, but they rerely appear to achieve their aim.

In fact, various new firms, including several of the major US investment banks, will be intensifying their efforts in commision rates.

intensifying their efforts in London after attaining Stock Exchange membership on Big Bang day, so the institutions could find themselves dealing with even more securities firms if they are not careful.

There was a very wide spec-trum of views on how dealing would be carried out in the London market after Big Bang. One important question is the extent to which the institutions Certainly the institutions are the new structure of the securi-ties markets. will cor tinue to trade on the existing commission paying basis, and how much on a "net" basis, with all the securities Only about a third of the institutions employ in-house dealers, a prerequisite if they are to exploit their new opportunities for screen-based trading directly with the marketfirm's remuneration wrapped up in a spread between buying and selling prices.

Almost a third of the fund managers declined to express a view, and the rest were fairly evenly spread across a range Another 7 per cent thought they would be employ-ing in-house dealers after Big Bang. That would still leave about 60 per cent without such facilities.

It is true that around half of the fund managers polled thought they would respond to Big Bang by cutting the number of brokers they would be still be stil As for the formula by which of brokers they would be deal-ing with, presumably so that remunerated when the funds

dealt on a net basis, there was a very wide range of views here a very wide range of views here too. These were difficult to summarise, but some thought there might be fees, either on a flat or transaction-related basis, others did not expect to pay at all, and a fifth were don't knows.

Such inconclusive results indicate that a consensus has yet to build up. yet to build up.

Regulatory factors could play a crucial part. One of the attractive aspects to fund managers of paying commission is that it is a commission in the paying commission is that it is a commission to the commission is the commission in the commission in the commission is the commission in the commission way of paying for services such as research by using clients' money rather than their own. if new regulatory bodies such as the investment management SRO called Imro are tough on SRO called Imro are tough on the state of the s disclosure in this area, there could be more payment of direct

But if New York experience is anything to go by, and if our own Securities and Investments Board's recent drafts are borne out, "soft" commissions

borne out, "soft" commissions are here to stay.

At any rate, 60 per cent of the fund managers were of the view that there would be no scope for the development of independent investment research houses after Big Bang. Research would still be bundled up with the transaction side of the securities industry.

That is certainly the way it turned out in New York after deregulation there in the mid-

deregulation there in the mid-1970s. Yet 38 per cent of the British fund managers thought there might be scope for non-broker research in the UK, so opinion is by no means unaninous on this point.

The general impression, however, is that most fund man-agers greatly preferred the old stock market trading system. Perhaps that is not surprising, given that in the absence of price competition, brokers were driven to vie with on another to pile on the services to fund

The new world will be less privileged for fund managers.
"Where will we get our impartial advice?" complained one.

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MANAGEMENT

GENERAL MOTORS. world's largest amomotive group, has changed direction in Western Europe, Over the past six years it has spent \$7hm developing its business, increased Opel and Vauxhall car sales by 40 per cent, but at the same time incurred huge

GM has set up for the first time an organisation somewhat similar to that of Ford of Europe to co-ordinate activities in 17 European countries, a move which it hopes will ensure past errors are not repeated. A group of key managers has been moved to the new unit-General Motors Europe, passenger cars. It is based in Zurich, Switzerland, with Ferdinand Beickler, a GM vice president and former head of Opel, as

The new organisation responsible for setting GM's European business plans and strategy, co-ordinating the efforts of most of the car sales companies in individual markets and lisising with various

All this was previously handled by Opel which now has a much more clearly-defined task: to design, develop and build cars and to sell cars in There are two views of this

One, which is widely held among GM's rivals, is that GM at last is wrestling the Euroat last is wrestling the Euro-pean reins away from Opel, its West German subsidiary, which has not only imposed a German viewpoint across the whole of the business but also has the disadvantage of being based in a country where manufacturing costs are among the highest in the world

GM's own view, according to Robert Stempel, the executive vice-president responsible for all GM operations outside North America, is that the move recognises that GM dumped too much responsibility onto Opel and Opel was beginning to creak

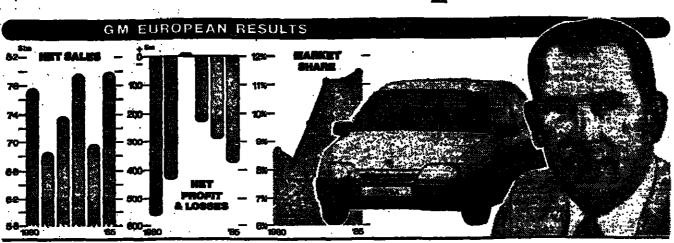
under the strain.

GM once had a touching faith in the fast development of the EEC. But, not only did Opel have to develop and build cars for Europe, it also had to cope

relieve the beleagured Opel of much of this responsibility, says free from any undesirable Opel and an Stempel. "It would have been or even European — infindential to have a truly neutral approach if the new unit had been located within Opel," he adds. "Let's face it, 50 per cent of Opel's business is within group decided it needed to do both cars Germany. It is very much a better outside North America was roped of the cars of the second of the s German company." — elsowhere it Stempel says GM sees "a was an also-ran.

General Motors in Europe

A move to correct past errors



change in Europe that requires our operations in cars and trucks to be very much in tune with European needs and one only has to look at all the different regulations in the dif-ferent European markets. different regulations in the different European markets to
understand that what works in
Germany might not work in
Spain or in France.

"There is no such thing as
a Common Market. We have
found we must go country by
country in Europe. There
really is no substitute for that."
Take F. "Lock" Smith Ir.

John F. "Jack" Smith Jr., 48, moved by GM from the presidency of its Canadian subsidiary to play a key role in the new organisation where he is executive vice president operations and engineering and tipped to take over when Beickier retires, points out that the Japanese will soon be setting up production bases in Europe, following the example set by Nissan in the UK. "So we must be sure we are a lowwe must be sure we are a low-

cost producer."

Sixty per cent of the cost of a car is accounted for by have to develop and build cars for Europe, it also had to cope with the complexities of selling them in markets with very different requirements, legislation and languages and blaise with national governments and the European Commission.

GM's new organisation will relieve the beleagured Opel of in North America and is thus properly of this responsibility, says free from any undesirable Opel.

Opel was handed responsi-bility for developing cars for Europe, including those to be assembled and sold by Vauxassembled and sold by Vaux-hall, GM's subsidiary in the UR, while Bedford in Britain was to take the lead in commercial

While the Bedford project turned out to be a disaster, culminating recently with GM's decision to stop building medium and heavy trucks in Europe, Opel developed a new range of cars which found wide

The expansion of Opel's role began when it was included in GM's "world car" project; this resulted in the range sold as the Opel Ascona and Vauxhall Cavalier in Europe (in the US it has a number of names such as Cadillac Cimarron, Chevrolet Cavalier and Pontiac 2000). As a result of this pro-gramme, Opel has found itself developing cars and engines for GM-Holdens in Australia as well

as Vauxhall and engines for GM's subsidiary in Brazil. Opel provided the expertise. ponents facilities in that country and an engine factory in

More recently, as GM's operations began to coalesce into one global car business and it sought out low-cost suppliers of both cars and components, Opel was roped in to supply technical know-how to Daewoo in South Korea and for a new Egyptian

have totalled \$1.87bm.

Rs rivals point to the losses and accuse GM of histantly buying market share in an attempt to match its major rival, Ford, in Europe. GM denies the charges—which suggests the losses were not part and are represented as a planned programme and Daewoo is building a car based on the Opel Radett (sold in Britain as the Astra). In Egypt GM has a major project where the car to be assembled

of a planned programme completely unforeseen

A substantial start has been

made and Stempel says that, as long as all goes well with volume and profit targets for the new executive car recently launched as the Opel Omega/Vauxhall Carlton, GM will be confibble in Europe next was

profitable in Europe next year.
There is still some way to

Smith says GM wants to see

further increases in productivity which means the 100,000 European jobs provided by the car operations must be reduced by

an average of 5 per cent a year for the foreseeable future. This

is similar to what is happming

The group expects to achieve

within Ford of Europe.

components companies to set up a supply base there. Both South Korea and Egypt insist that multinationals involved in their domestic mar-kets must contribute heltily to the economy by exporting. So the economy by exporting. So Korean and Egyptian components will be imported to Europe by GM. Opel had to identify suitable products and will be responsible for finding uses for them.

is the Ascona/Cavalier and the group has persuaded several

year for new facilities at Opel alone; \$2.4bn to bring the Spanish-built small car to the market—costs must be reduced. While all this was going on. Opel also had to supervise the efforts of GM's car sales organisations in 17 highly-disparate and extremely competitive European markets.

Even so, a great deal was achieved. GM's European car sales this year will reach about 1.3m, or 40 per cent more than in 1981, to give it a West European market share of 11.3 per cent, up from 8.3 per cent five years ago and placing it neck and neck with Ford of Europe but alread of Paugant Cirper but ahead of Peugeot-Citroen and Renault of France. There

Opel, once known in GM's Detroit headquarters as the "money machine" because of the huge profits it generated, slumped into the red in 1960 for the first time since 1948. Only in one year since then has Opel returned to profit. has Opel returned to profit.

GM's total European results has been about 4 per cent.

Since 1981 losses in Europe of Europe, in line with its going on in Europe.

GM's total European results has been about 4 per cent.

However, he stresses that GM finger on the pulse of what is going on in Europe.

strategic role, has not set rigid objectives for its subsidiaries but has outlined guidelines for

but has outlined guidelines for individual managements.

Stempel says benefits of the new GM of Europe concept are already showing through, "It is showing up in our long-range planning, visa-vis the effectiveness of the workforce; where to place future production; how to increase the local content of increase the local content of Vauxhall vehicles in the UK as the British Government has

asked us to do."
He says the Egyptian project might not even have got off the ground without GM of Europe. "The Egyptian ven-ture probably makes more sense from a US viewpoint than from a European viewpoint. It is seen more favourably on this side of the ocean. But by having Passenger Car Europe involved, I am confident we won't make a wrong move as we develop a supply industry.

"Passenger Car Europe is "Passenger Car Europe is sensitive to where the excess capacity is in Europe, where we have good component supply sources that are going to be around a long time. So they can be very helpful in the selection of component companies we put into that country. That's an enormous piece of strategy today, to make sure that we recognise the core of European suppliers that are important to us."

But was it necessary to move 250 people expensively to Zurich? Could not the same completely unforcesen.

The obvious conclusion now reached by GM is that, if it has achieved the volume of sales it hoped for in Europe but is still losing money, then costs must be too high. If GM is ever to achieve a reasonable return on its huge investment—\$1bn a zurich? Could not the same results have been achieved by basing GM of Europe in part of the Opel headquarters at Russelsheim? Ford of Europe executives live alongside Ford of Britain people at Warley in

Stempel says: "The reality is that when they are building cars about 50 feet away, there is a great tendency to focus your efforts on what's going on in the factory. By being separate, the Passenger Car Europe executives can stay on target with the business plan and other business issues and really stay focused on that."

None of the GM of Europe executive jobs is duplicated at Opel, he points out, "and we must be very careful we don't run with duplicate staffs, don't do things twice and add another two the chain of getting layer in the chain of getting things done."

Stempel sums up: "The real measure of the new organisa mpel sums up: "The real tion's success will be if we can see Opel operating efficiently, profitably and at the same time see the value added by our the cuts entirely by not replac-ing people who retire or leave the company for other reasons. Smith acknowledges this might be difficult because in the past headquarters organisation: see we do improve our car market penetration in some countries, see we are responding faster

Corporate culture

Battling with 'core beliefs'

BY STEPHANIE YANCHINSKI

IS CORPORATE culture manwith the greatest difficulty."

Dr Andrew Pettigrew, a leading international expert in the newly fashionable subject of corporate culture, is clearly sanguine about the chances of many managements being able to retool their cultures fast enough to keep pace with the rapid changes in strategy that are needed to remain competiare needed to remain competitive in today's business climate.

In a keynote address to the sixth annual Strategic Management Society Conference in Singapore last week, Pettigrew, who is professor of corporate strategy and change at Britain's University of Warwick, warned that strategic change now had to be viewed not only as an analytical and cerebral process, but as a highly complex human

but as a highly complex human

one.

Pettigrew's exhaustive study of Imperial Chemical Industries, published last year", lays great emphasis on the crtical but difficult process of changing the "core beliefs" of top management—which is obviously a key factor in the theory and practice. tice of managing strategic change.

As Pettigrew told the Singapore conference, at ICI "the problem was how to break down the core beliefs of the top decision-makers" in the face of the rapidly changing economic and marketing climate from which the company was suffer-

"As the old beliefs were questioned, so a new ideology was introduced by Sir John Harvey-Jones, the chairman, and others, which emphasised a sharpening in market focus, a greater entrepreneurial em-phasis, a lessening of bureaucracy and central control."

Conventional wisdom in business policy has decreed that changes in attitudes and organisational structure should follow changes in business strategy, Rather, Pettigrew thinks that from the new cultural milieu flowed a new business strategy. From operating at a loss in 1980 ICI swung back into strong profitability in 1984 and 1985.

The discussion of corporate ageable? The straightforward culture by an international answer to that question is—gathering of management with the greatest difficulty." academics, businessmen, and consultants came at a particu-larly trying time for many American and European industries atruggling to revitalise and compete against Japan. In this battle "Nobody doubts that culture is important," said Peter FitzRoy, Professor of Administration at Monash University,

Melbourne, Australia, and co-organiser of the conference. But even strong companies face problems in rapidiy adjusting to changing circumstances dictated by shifting politics, social factors and fast moving technology. Then a solidly entrenched culture can become "a renched culture can become a serious constraint to strategic change unless it can be orchestrated." FitzRoy commented. And "we still do not know which levers to pull."

Philosophies

In his paper Pettigrew listed at least seven barriers to chang-ing corporate culture. These include such things as entrenched power interests deep historical roots, conflicting sub-cultures and the interde-pendence of particular cor-porate philosophies and structures.

Moreover, corporate culture "refers not just to people, their relationships and beliefs. It also refers to their views about com-pany products, structures, corporate purpose and modes of recruitment, socialisation and reward," Pettigrew says.

Such pervasiveness, added to the fact that much of corporate culture is taken for granted, means that "it is remarkably difficult to change things which are implicitly part of people's thinking and behaviour, and are rarely brought out explicitly for consideration." Taken togther these "seven issues make corporate culture re-markably difficult to manage, and certainly to change

*The Awakening Giant. Published by Basil Blackwell at £29.50 hardback, £12.50 paperback; and \$34.95 hardback, \$19.95 paperback.

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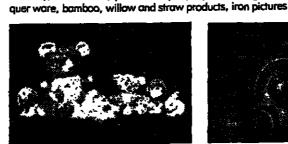
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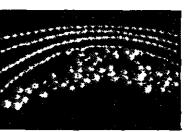
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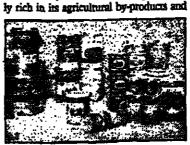


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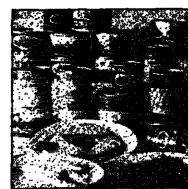


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ranks first among all I/E Corps. in Anhui Province. At present, we export over 161 kinds of products involed in 9 caregories. They are: cereals and oils, oil products, meat and meat products, egg roducts, canned goods, aquaric products, undry goods, fruits and vegetables. These products are exported to over 30 countries nd regions in the world such as Hong Kong, Macao, Singapore, Malaysia, Japan, USA, Canada, USSR, Eastern and Western Europe, Middle and Near Fast, Oceania, Africa and Larin America. We have established good trade relations with over 400 companies in these regions.

In addition to foreign trade business, Anhui Branch of China National Cereals, Oils and Foodstuffs I/E Corp. is also active in importing technology and developing



foreign partners.

We wish to keep close contact with friends in the trade circles all over the world and we are are at your service at all

Chifia National Coreals, Oils & Poodstuffis I/E Corp., Anhui Branch import and Expert Bulking, Imzhai Road, Hefzi, Chima Tel: 60484, 60368 Cable: "CEROIL FOOD" Hefzi Telex: 90010 AHLYS CN

Supermarket project in **Bradford**

FAIRCLOUGH BUILDING has been appointed main contractor by Wm Morrison Supermarkets for a retail/industrial complex in Bradford. On a contract worth in Bradford. On a contract worth 19.7m, the Leeds division will construct the Enterprise 5 complex at Five Lane Ends, Idle. The scheme includes the erection and completion of a superstore, together with non-food retail units, an enterprise centre and industrial units. Fairclough will also carry out the necessary external works, car parks, land-scaping, access ways and drainage. When it is completed, the complex will create over 500 jobs in the area. Fairclough Building is part of the AMEC construction and engineering group.

J. F. DONELON & CO has been awarded the Halifax main sewer-age reconstruction scheme, stage two, for the Borough of Calder-dale. The contract involves the dale. The contract involves the construction of 1,250 metres of tunnel using a Lovat TBM with rockhead, eight shafts as well as ancillary connecting sewers and also a large reinforced concrete storm water overflow. The project will cost about £4m.

follows:---

December 12 1986.

CONSTRUCTION CONTRACTS

Finsbury Avenue scheme

TRACTING has been appointed by Rosehaugh Greycost (Phase 2) to be the management contractor for a fi3m contract to complete the last phase of the Finsbury Avenue development scheme. The final phase, 2 Finsbury Avenue, is the construction of a steel-framed fast track office building covering 15,000 sq metres gross and comprising seven storeys together with

Supply base for health authority

WIMPEY CONSTRUCTION has been awarded a design and construct contract by the Yorkshire Regional Health Authority for a regional distribution warehouse at Normanton. The £3m building, believed to be one of the first of its kind in the country, will house the regional supplies staff headquarters and will be linked to computer terminals throughout the region. The Commonwealth Pool during the recent Edinburgh throughout the purchase, stocking and distribution of centre will control the purchase, stocking and distribution of the contre will control the purchase, stocking and distribution of the contre will control the purchase, stocking and distribution of the contre will control the purchase, stocking and distribution of the contre will control the purchase, stocking and distribution of the contre will control the purchase, stocking and distribution of the Royal Commonwealth Pool during the recent Edinburgh commonwealth Games. The Pertit leisure centre will also incorporate the Barr & Wray come plant system—similar in the Royal Commonwealth Pool during the recent Edinburgh commonwealth Games. The Pertit leisure centre will also incorporate the Barr & Wray come plant system—similar in the Royal Commonwealth Pool during the recent Edinburgh commonwealth Games. The Pertit leisure centre will also incorporate the Barr & Wray come plant system—similar in the Royal Commonwealth Pool during the recent Edinburgh commonwealth Games. The Pertit leisure centre will also incorporate the Barr & Wray come plant system—similar in the Royal Commonwealth Pool during the recent Edinburgh commonwealth Pool during the recent Edinburgh commonwealth Games. The Pertit leisure centre will also incorporate the Barr & Wray come plant system—similar in the Royal Commonwealth Pool during the recent Edinburgh commonwealth Pool during the Royal Commonwealth Pool during the Royal Commonwealth Pool during the Ro

BARR & WRAY has secured a film contract for the design and construction of equipment for three leisure pools in Birmingham, Perth and Aberdeen. Both the City of Birmingham—Cocks

CORRECTION NOTICE

Administered by Anglo American Corporation

Report of the Directors for the quarter ended

September 30 1986

EAST RAND GOLD AND TRANSIEM COMPANY LIMITED

(Incorporated in the Republic of South Africa)

Registration No. 71/07001/06

In the quarterly report of the above company

advertised in this newspaper on Friday, October 17

1986 the paragraph headed dividend should read as

The interim dividend of 50 cents a share in respect

of the year ending March 31 1987 was declared on

October 16 1986, payable to members registered on November 7 1986, and will be paid on or about

Transvaal Group Gold Mining Companies

will TSHIER NORTHERN has won the following contracts worth around £770,000: reroofing a lessure centre at Newton Aycliffe. Co Durham, for Sedge-field District Council has a value of £339,316; brickwork/blockwork of 2399,316; brickwork/blockwork and carpentry/joinery works for British Telecom North East District Office, Newcastle upon Type, value £270,654; and exten-sions to shop units and Lloyds Back at the Central Area Redevelopment, Peterlee, for Teesland Peterlee, value £104,000

Sunderland shopping development

ALFRED McALPINE has been awarded a design and build contract worth over £1.3m by a joint venture company owned by County Properties and Evans of Leeds. The contract, which is being carried out beside the railway station in the centre of Sunderland, entails the construction of a two-storey shopping development over the railway track. The building will be steel framed with blockwork internally and facing brick externally. and facing brick externally.
When it is completed, the development will consist of eight ground floor shop units with first

Alfred McAlpine has also been awarded a contract worth over \$230,000 by Shell UK for construction work at its premises at Stanlow, South Wirral. The construct is for Phase III in a series of works being carried out: at the batch carbogisation plant, Stanlow Refinery, at Ellesmere Port. The work involves the construction of reinforced concrete tank foundations and band walls, plus access roads and drainage.

completion of a 10-storey office building with roof and ground floer plant rooms together with associated external works and services at West Gate, Ealing, London. The work will span a period of 76 weeks with completion scheduled for spring 1988.
When it is completed, Lewis Shop
Holdings will be occupying a
substantial part of the building.

Housing for the American Air Force

WALTER LAWRENCE PRO-JECT MANAGEMENT has been awarded a design and build con-tract by the Property Services Agency for 200 family houses for the US Air Force at RAF Wood-bridge, Suffolk, at a cost of US\$145m (£10m). A consider-able amount of the materials for the timber-framed houses will be imported from the US. Work will start soon and the contract will be completed in April 1988. The project wil be supervised by the PSA on behalf of the US Government.

TAYMECH, the building services contractor of the Taylor Woodrow Group, has been awarded a fi?2,000 contract by Naylor and Walkden, main contractors to the Preston Heakth Anthority. for work at the Sharoe Green Hospital in Lancashire. The project entails the complete renovation and conversion of existing facilities into a cold orthopaedic unit. The section will consist of an operating theatre, jointly used ward and amenity areas. New services will include autoclean facilities for a bacteria-free atmosphere in the operating theatre, oxygen and nitrogen feed lines, plus general plumbing including hot and cold water. Work is scheduled for completion early next year.

A. E. SYMES, a subsidiary of John Willmott Building Group, has been awarded a contract worth in the region of fil.13m by British Telecommunications for the refurbishment of Mondial House, Upper Thames Street, EC4, to form offices. A. E. Symes has also won a contract worth in the region of £445,000 from Haslemere Estates (Developments) for the refurbishment of a four-storey office block at New Cavendish Street, WI.

One of the most prestigious Victorian buildings in Preston, the Miller Arcade, is to be renovated and improved by removated and improved by management contractors BOVIS CONSTRUCTION for clients Town & City Properties Management. The 18-week contract, valued at £400,000, is due for completion in December. Built in 1899 in terracotta and brick the Arcade's ornate mouldings will be cleaned down and repaired, Internal refurblishment work to the terracotta and glass work to the terracotta and glass roof will, also be carried out together with elaborate floor tiling and the provision of hard-wood doors/screens to the four

DIARY DATES

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

COMPANY MEETINGS—
Howard Shuthsring, The Crown, 118, London Road, Morther, Surrey, 10-30
NESCO INV. Friendly House, 21-24 Chiswell Street, EC. 12.00
BOARD MEETINGS—
TREASP on Shop Property Trast, Savoy Hotel. sd, WC, 12.00 Hell, Kemyood Road, leid, 12.00 Cedar Coart Hotel, Wakefield. 12.00 and Fisher, Great Eastern Hotel, Liversoot Street, &C 12.30 BOARD MEETINGS—Fisher evestors Cap Tst Rand Mines Props Really Useful Figure 2 and State of the State irencherwood 1.55p
Wellt Farjo Cálch;
Wyndham Groop Denow
Chapany MeETINGS—
La Raserve,
Irita Industrial Groop, La Raserve,
Boldmare Gete, Sutton - Coidfield, West,
Midlends, 12.00

å C Errotrust, 1 Lasrence Pountney
Hill EC 2.30
France, SW, 22.00 Hotel, Mccleston
Screen, SW, 22.00 Hotel, Aldwych, WC,
12.00
Macro 4, Waldorf Hotel, Aldwych, WC,
12.00

Drapers Gardens, 12, Throp-Avenue, SC, 12.00 idings, Minhay Road, Langley Quest Annual Lanc Country of the Cou Artistic Assets Tel. 1.19
Breamer J. 1.19
CPC Intal SScid
Cardin City Connell 11pc Red 19t
Dialete 3s
Diploma 7sc Com Red Pf 2.45p
Excalibur Jewellery 0.05p
Hallors Held Sac Pity Rate Le h
Holt Closeph 4s
Loope 1.89
Macdonalo Martin Distriburies A 4
Magnetic Materials 1.879

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Allems (Red) Lebure 0.42p
WENNISDAY OCTOBER 22
COMPANY MEETINGS—
Lebure 1.00
Lebure 1 Spelletteren, Packet 4p Telfos Hidas 1.45p Thermax Hidas 4p Treat Hidas 0.69p VG jestiments 1.20
SATERDAY OCTOBE
DIVIDEND & INTEREST P
PHHe is THE Specibl 1983-1
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General Electric Co Sects
Munchester (City of) 11.5p

questions; Unborn Children P. No. 2 Bill; Education Bill, et stages. Lords: Public Order Bill, commi-report (first day); Yark City Bill, third reeding.

Parliament

FINANCIAL TIMES SURVEYS

DISTRIBUTION SERVICES SURVEY

on December 5, 1986
The following subjects will be covered:
Equipment Products
Management Geography

All editorial comment should be addressed to the Survey's Editor. A full editorial synopsis and information about advertising can be obtained from Robin Ashcroft, Tel: 01-248 8000 ext. 3365, or your usual Financial Times representative.
EUROPE'S BUSINESS NEWSPAPER

Trade fairs and exhibitions: UK

Current British Motur Show (trade only 15-17 (until October 26) (01-235 7000) NEC, Erminghum October 21-23 International Financial Services and Technology Exhibition (01-940 6065) Barbican Centre

October 28-39
Instrumentation Conference and
Exhibition — TEST & TRANSDUCER (0822 4671) Wembley Conference Centre October 29-November 2 International Bike Show (01-385

Getober 38-November 2 London Money Show — MONEY (01-948 5166) Olympia October 38-November 2 Business Holiday and Travel Show (0272 215208) Exhibition Centre, Bristol November 9-13 940 6065)

Getober 21-74

London Business Equipment Industries Exhibition — WOOD.

Show (01-405 6233)

Earls Court NEX (01-496 1951)

NEC, Birmingham November 11-14
New Technology Exhibition—
BARCLAYS TECHNART (021780 4171) NEC, Birminghom November 11-14 Compec Exhibition (91-661 4900)

Overseas

Exhibition -- WOODWORKING INDONESIA (01-486 1951) Corrent International Office Trade Fair—ORGATECHNIK (motil October 21) (01-830 7251) Cologne October 28-30
Trade Fair for Clothing Textiles — INTERSTOFF (01-734
0543)
Frankfurt Carrent International Equipment and Services for Hotels Exhibition— EQUIP HOTEL (until October 27) (01-438 3964) Paris October 31-November 2 Skiing and Winter T Exhibition (01-486 1951) Current

International Market of Sub-contracting Exhibition—MIDEST November 4-12 (until October 24) (01-439 3984) National Inventions Lyon (01-439 0501) October 21-25 November 6-9
International Forestry, Timber Hong Kong Trade Fair—INDUS.
Processing and Woodworking TRY (0208 45121) Hong Kong

Business and Management Conferences

Current
The Economist Conference Unit:
Advanced manufacturing—
making it work, making it pay
(until October 21) (01-839 7000)
Intercontinental Hotel, Geneva
October 21

Professional Personal Computer
Couference (01-621 1355)
Hotel Inter-Continental, W1

The Royal Institute of Inter-uztional Affairs: Tradeable infor-mation — Europe against the world (01-930 2233)

Chatkam House

October 22-23
The FT City Financial Series:
Four half-day seminars on Techvology, Marketing Security and
Whither the Building Societies?
(01-621 1355)
Barber-Sargeon's Hall, EC2

Confederation of British Indus-try: Getting Government grapts (01-379 7400) Centre Point, WCI October 27-28 Philadelphia Stock Exchange: 1986 International foreign currency options symposium (01.406 2348) Four Seasons Hetel, Philadelphia

October 28 FT Conferences: Financing To-morrow's Winners (01-821 1355) Robbsson College, Cambridge

UK and US Departments of Energy: Energy from landfill gas (0235 24141)
St John's Swallow Hetel, Solthull — the right w

October 21
FT Conferences: Developing the Global Market for Equities November 2-4
(01-621 1355)
Merchant Taylors' Hall, EC2
Hetel Krasnopolsky, Amsterdam

October 21-22
L. F. Rothschild, Unterberg, November 3-4
Towbin Inc: European health
care investment (01-726 6226) the Financial Services Act (01
Hyde Park Hotel, WI. 621 1355)
Hotel Inter-Continental, WI November 5-6 Club de Bruxelles: The future of Agriculture in Europe (Brus-sels 771 9890) Brussels IBC: Third annual advertising

and marketing ficancial services conference (01-236 4080) Royal Lancaster Hotel, W2 November 6-7 BIS Applied Systems: Communicating with OSI (01-633 0866) Kensington Palace Hotel

November 9-11 Confederation of British Indus-try: National Conference 1986 (01-379 7400)

November 16-11 FT Conferences: European Business Forum—Italy and the international economy (61-621 1355)

November 11
The Royal Institute of Inter-national Affairs; Malaysia as a commercial partner (01-930 2233)

Tennessee Associates: Managing for productivity through quality

CBI/Faegre and Benson: US November 13
product liability—managing the risks (01-379 7400)
Centre Point, WCI (01-2:2 4111)

Rarbican

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Thames Water

GGG

UNAUDITED STATEMENT OF RESULTS FOR THE HALF YEAR ENDED 30th SEPTEMBER, 1986

	6 months to 30th September		12 months to 31st March	
	1986 £M	1985 £M	*1987 £M	1986 £M
Тиглочег	270.9	2 44 .8	553.3	501.4
Trading Profit Interest	102.4 (13.3)	91.7 (18.9)	207.3 (23.6)	184.4 (34.5)
Profit after interest	89.1	72.8	183.7	149.9

This unaudited statement has been prepared under the same accounting policies used in the statutory accounts for the 12 months ended on 31st March, 1986.

Trading profit is stated after charging depreciation on the basis of historical costs.

3. Thames Water is not liable for corporation tax.

4.* The 12 months figures to 31st March 1987 are forecasts based on expectations in October 1986.

STATEMENT BY THE CHAIRMAN, ROY WATTS, C.B.E.

Commenting on the results, Roy Watts, Chairman of Tharnes Water Authority said "Against a background price rise of only 3 per cent, our continuing efficiency drive both in operational and in capital expenditure terms, has resulted in the first half year's profit target being exceeded. We anticipate that the second half year will also exceed target. Between September 1985 and September 1986 we repaid £58m of our outstanding loans as well as meeting all capital expenditure from internal funds.

We are actively selling our expertise both at home and abroad to provide future profits for the benefit of our customers."



RUNNING WATER FOR YOU

Thames Water, Nugent House, Vastern Road, Reading RG1 8DB.

ats of the Council of The Stock Exchange. It do

Sage danielectures Habover Bicks and Manufactures Habover Bick Trasser Super 1988 Augs Trasser Singley OCTSER 28 DIVIDEND & INTEREST PAYMENTS—Instraling (Controlwealth of) 114pcls 2015 Silver Singley Controlwealth of) 114pcls

THURSDAY

ne: Northern Irelan

Minister's question

tion Bill, second



Marubeni International Finance p.l.c. (incorporated in England under the Companies Acts 1948 to 1981 on 13th March, 1984)

U.S.\$30,000,000

7¾ per cent. Guaranteed Notes 1991

The Notes will be unconditionally and irrevocably guaranteed by

The Fuji Bank, Limited (incorporated with limited liability in Japan)

Issue Price 101% per cent.

The following have agreed to subscribe or procure subscription for the Notes:

Yamaichi International (Europe) Limited

Fuji International Finance Limited

Bank of Tokyo International Limited

Citicorp Investment Bank Limited Morgan Stanley International

Kleinwort Benson Limited New Japan Securities Europe Limited

Application has been made for the Notes, in bearer form in the denomination of U.S.\$5,000 each, constituting the above issue to be admitted to the Official List by the Cauncil of The Stock Exchange, subject only to the issue of the temporary global Nate. Interest will be payable annually in arrears on 23rd October in each year. The first interest payment will be due on 23rd October, 1987. Particulars of the Notes and the Issuer are available in the statistical services of Extel Statistical Services Limited. Copies of the listing particulars relating to the Notes may be obtained during usual business hours on any weekday (Saundays and public holidays excepted) so to and including 22nd October, 1986 or during usual business hours on any weekday (Saturdays and public holidays excepted) at the addresses shown below up to and including 3rd November, 1986:—

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN.

Citibank, N.A., Citibank House, 336 Strand, London WC2R 1HR.

20th October, 1986

Architecture/Colin Amery

The good life in new City school

Schools are often places where we have our first architectural experience. It is curious to return to school as an adult; somehow those intimidating corridors and daunting halls have shrunk. Boys, who are fortunate enough to attend the City of London School, will in the last few years have had the opportunity of making some instructive architectural

The old City of London School for Boys on the Victoria Embankment is now empty and waiting its fate as the site of a major American bank. The huge stone palace you see from the River Thames is not a bit like a school. Designed in the 1880s by the firm of Davis and Emmanuel. firm of Davis and Emmanuel, it could be the centrepiece of some great international exposition. The first thing that strikes you is the power of the five huge arches carried on orders of coupled columns. A lantern on the centre of the roof and columned turrets complete the grand illusion. I wonder whether the boys found it impressive. Or did their grey famelled knees knock together at the first sight

of these intimidating imperial portals? Whatever the boys felt then, they must have had their infant architectural sensitivities stimulated. I hope that the suited bankers of the Morgan Guaranty Trust Company of New York, who have to keep the listed parts of the old school, will have a moment for some architectural

The new school, which opened for business this term, occupies a fine site on the Thames, bounded on the north by Queen Victoria Street and the churchyard of Wren's St Benet's church, and on the south by the public riverside walk

Less attractive features of the site are the high level road and Baynard House to the west and the four lane east-west road that runs through the site. In architectural terms the new school relates well to its most important neighbours, the brick Wren church and the 17th brick Wren church and the 17th century plain and elegant home of the College of Arma. From the river too, it has a pleasing symmetry and a central moment of excitement in the glazed entrance atrium. It is, however, without the grand pretensions of the old school.

The new school has been designed by the City of London Department of Architecture and Planning under the direction of Stuart Murphy. They had a difficult site and a complex brief.

First of all they had to find room for 800 boys in the heart of the City. Before building could begin, archaeological evidence of the existence of Baynard Castle, a Roman triumpified Borner building budgets. identified Roman buildings had to be excavated and examined. Once the edifices of the remote past had been dealt with, the creation of a five level building incorporating a decked over four lane road was not an easy

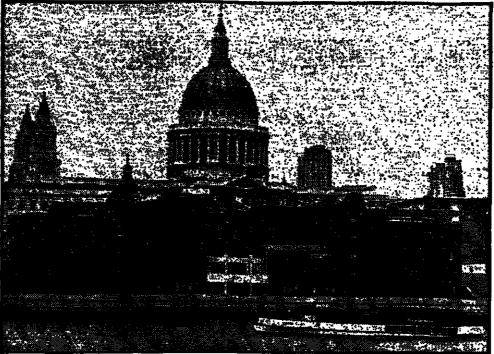
The main teaching block runs from north to south with some 15 laboratories on the top floor and form rooms and seminar rooms below. It is a slightly odd sensation to be dissecting a frog immediately above the roar of a major highway through London. In the spaces like the Great Hall and the Beaufroy Theatre and the central concourse, where a statue of the founder Town Clerk, John Carpenter, dominates, it is possible to feel well shielded from the hectic life of the City. A particularly agreeable spot is the central courtyard, which contrives to have the atmosphere of a claimer.

While it is agreeable to see the roofs and terraces in use in the roots and terraces in use in fine weather on the river side of the school, the site of the femced-in upper playground by the overpass is not an agreeable one. The yelling boys, penned-in by traffic and the high wira fence, for a moment look like a scene from a hard pressed corner of the Bronx.

phere of a cloister.

Nothing can ever forgive the cruel treatment of St. Benet's Paul's Wharf (new the Welsh Church) by the City Engineer and his passion for overpasses and massive roads in the 1960s and 1970s.

It is doubtful whether any other country in Europe (ex-cept nowadays Romania) would have treated its architectural heritage as badly as we have scale of the tower made much in London. Ninety per cent of more sense but the new school the surroundings of St Paul's and the Wren churches are walk is also a major plus des-



The riverside front of the new City of London School -- humane scale and good

architecturally unworthy. The new City of London School has taken a lot more care. It is built of sypathetic brick, it attempts to echo the round-headed windows of the church and it does, as a whole do all it can to repair the damaged surroundings of one of Wren's most pleasing domestically scaled brick churches.

When the streets climbed up and around the church, the scale of the tower made much

pite the grun architectural prospect of the opposite bank. It was surely right to keep the school in the City and to give the boys the best possible facilities. They have their own swimming pool and all the classrooms have double glazing and experts it can't be a had and carpets. It can't be a bad life; I suspect many City office workers envy their human scaled and very decent new surroundings.

Until November 2, another school in a greener setting has an interesting architectural

Picture Gallery there is an interesting small exhibition about Gallery, Rembrandt, while

the life and work of Charles Barry family who designed Dulwich College. A visit to the exhibition offers the added bonus of seeing the Soane

Barry Junior — an important member of the architectural nemorandt, while Mrs
Thatcher's neo-Georgian palace,
behind the alsatians and
security gates, is just down the
road.

Symphonic Variations

Clement Crisp

on Saturday night after too long an absence. It was placed at the heart of an Ashton triple bill, where it rightfully belongs, for it is Sir Frederick's most open statement about the nature of the English style of classical dancing which he so vitally shaped. Among its obvious merits is good breeding, those blood-lines of proper schooling in dance, and decent, unforced manners in moving, which gives the ballet its feeling of civilised converse between a cast of three men and tween a cast of three men and three women, whose emotions are controlled by the disciplines of their craft. (A Month in the Country, which ended the programme, seemed by comparison almost shocking in its unbridled passions and fiorituri of emotion)

Where Symphonic Variations resembles Month, and The Dream which opens the evening, is in its acute sensibility about musical and dance phrasing, about how movement can be made to live at the heart of the score and be nurtured by the music there are few images. the score and be nurrured by the music: there are few images more immediately lovely in Symphonic than the tiny duet for the two "side" women. dancing in parallel and sud-denly seeming part of the piano

Sumphonic Variations is. I

sympnonic variations is, I suspect, a ballet that must be kept fresh by under-exposure (like Ashton's Scènes de Ballet), but it has had less than than five performances annually since it was created 40 years ago, and the richness of its idiom can only be appreciated by its cast and its religious within the appreciated of the restoration of the res

Symphonic Variations repoint of reference. It is good to turned to the Royal Ballet's note that this revival has been repertory at Covent Garden rehearsed by Michael Somes, rehearsed by Michael Somes, though it is ironic that the two most essentially Ashtonian per-formances in the evening came formances in the evening came in the other ballets, with Antoinette Sibley in The Dream and Anthony Dowell in A Month in the Country.

Symphonic Variations' cast is now led by two American dancers. Cyuthia Harvey and lay Jolly with Wandy Ellis

Jay Jolly, with Wendy Ellis, Karen Paisey, Stephen Beagiey and David Peden. They do not as yet move with complete naturainess through its chain of incidents — Ashton's dances should fit their bodies with the ease of superlative tailoring but they respect its clean, un-stressed manner, and Miss Harvey's speed brings real rewards. I wish, though, that Mr Peden had brought off those two outward - spiralling pirouettes, that so perfectly fix the music's shape, with greater boldness.

In The Dream, Antoinette Sibley's flawless Titania matched emotions with Stephen Jefferies dark-tempered Oberon, then yielded with grace to him, and chose to ignore what was and chose to ignore what was plainly a tasteless reminder about her dalliance with Bottom with delicious hauteur. Simon Rice was the nimblest of sprites as Puck, but the quartet of lovers now look in-creasingly jokey and insubstan-

tial as characters.

A Month in the Country
brought Marguerite Porter as
Natalya, with Anthony Dowell youthfully impetuous and irresistible as the tutor, and annually since it was created Karen Paisey enchantingly since 40 years ago, and the richness of its idiom can only be appreciated by its cast and its and so was the company interpretation: this summer storm a repertory in which Ashton's only passed after some brilliant choreography is a continuing flashes of emotional lightning.

Don Carlos/Paris Opéra

Renald Crichton

The 'Palais Garnier' is the most dramatically, centrally placed of Western European houses, the most unequivocally, unapologetically monumental within and without. The boldness of the architect Garnier's conception has not always been reflected in choice of repertory. Recently, though. terms with the historic past inherited from the previous theatre, similar in shape and size of auditorium, but by com-

parison tucked away in a corner. Operas by Rossini and Verdi re-worked or specially written for Paris have been revived. Last year brought Meyerbeer's Robert le diable. Now, to open the new season, the Opera has mounted Verdi's Don Carlos with the original French text. not heard there, I think, since the run of performances that followed the premiere of 1867. The production by Marco Arturo Marelli of Zürich has the

overriding virtue of continuity and quick changes. There was little of the grandeur a Russian fairy-tale opera. Giulini or Abbado bring to the score, the sombre quality found in other middle-period Verdi like La forza or Boccanegra, though never so strongly as here. Pretre patted and scurried the music along, sketching and suggesting rather than firmly outlining, with passages of extra-fine sound where the French players seemed to be delightedly discovering how well Verdi wrote for the orchestra, also others which were ragged or sourly tuned. Speeds were light and fresh in a way that suited the French

Posa was the most assured, in vocal style and physical movement. He made Posa's pivotal ing one of the grandest of grand role in the drama unusually operas in modern terms.

the said of

clear. In this demanding but rewarding house, the voice sounded excellently well. The French tenor Jean Dupouy took the title role at, it appears, very short notice. One would never have supposed this from the degree of confidence and commitment he brought to the notoriously clusive character. notoriously elusive character.
The Elisabeth de Valois was
Michèle Lagrange, her timbre
warm and sppealing, with a
touch of quick vibrato, the top
soft, the phrasing most delicate.
Neither singer has great power.
Both have stamina. They blend
well. The couple CarlosElisabeth, as they should be,
were firmly in the foreground.
Alexandrina Mittchewa's

were firmly in the foreground.

Alexandrina Mittcheva's comely Eboli had too much difficulty with the language to do herself justice. Alfred Muff, a forceful bess-baritone of whom we shall no doubt hear more, was a rough, gruff King Philip, more Brecht-Weill thug than despotic Habsburg. The Grand Inquisitor. Sergei Koptchak, sang vividly but was treated by the producer like a wizard in

Marelli is his own set designer, with costumes by Dagmar Niefind. The colouring of Verdi's score is in no way of Verdi's score is in no way matched by the predominant black, grey and off-white. The whole of the huge stage is used, with a great, funereal curtain rising, falling, dividing, looping. Some of the arrangements are striking, some silly, like the Fontzinhiten woodcutters instead of felling trees pulling ropes to hoist the curtain, or the hoist the curtain, or the symbolic collapse to the floor after the murder of Posa. In that position the curtain greatly text. The conductor's approach proved unexpectedly enlivening to the sometimes ponderous auto-da-fé scene.

The same lighter-than-usual suro-de-fé, by contrast, is adroitiy managed, though the fames are scarcely hinted at. For all the ups and downs this is a brave shot at present-



Suzanne Murphy

Lucia di Lammermoor

Rodney Milnes

and production team, both posi-tively and provocatively (for instance, handing war-horses like Carmen and Rigoletto over to Lucian Pintille). The mar-riage of Donizetti's Lucia and William Gaskill seemed in ad-vance a curious notion, and remains so after the results were unveiled in Cardiff, at the were invested in Cardin, at the New Theatre, on Saturday. Would he respond easily to a score so tightly circumscribed by form, one wondered, though the element of romantic agony Gothick would surely have sparked off lively reactions. In the event, Mr Gaskill did

very little. The most positive—if that is the right adjective—statement came from Ultr's decor. The permanent set was a grey, rock-strewn ramp in three sections stretching upstage to a grey brick wall; the stage picture was varied by sections of more grey wall aliding across. Subfusc costumes ranged from Victorian to present-day Scattleb. fusc costumes ranged from Victorian to present-day Scottish: arturo looked like Edward VII as Prince of Wales, Enrico was as Prince or Wales, Enrico was
dressed as for this year's Caledonian Ball, and the male
chorus were John Buchan
ghillies — one half expected
them to exit in hot pursuit of
Robert Donat and Madeleine
Carroll rather than Scott's

The ladies looked more tra-ditional: Lucia was revealed in the hair-do and position of Millais's Blind Girl—a lovely and not inapposite image. The contrast between interior and exterior scenes, which is important, was ignored, and there is a limit to how much grey one can take, especially in harness with such colourful music. The chorus groupings, though, were nicely devised, and quite beautifully lit by Andy

The music, too, was monochrome. There is a morbidezzu, an over-riding, almost feminine

The present management of served by Julian Smith's over-Welsh National Opera has long hearty conducting. No half-had a knack of matching opera-tones, yielding contours, but forceful, strident projection that together with some over-driven tempos made the score sound like early Verdi, which it should

The production was well cast. Suzanne Murphy is no tinkly nightingale of a Lucia. Her lyric soprano is sumptuous of tone yet ideally fluent in colora-tura — I know of few sopranos tura — I know of few sopranos today who can sing a fast chromatic scale with such devastating accuracy. She conquered a tendency towards flatorientated pitch in time for the Mad Scene, which went spectacularly well. As we know from her Puriting, Miss Murphy is a concept in these madners but an expert in stage madness, but here she played her trump cards a little too soon; if Lucia is as dotty as a computer print-out the first time you see her, then there is nowhere for her to go. Still, this was a big, full-blooded performace.

Dennis O'Neill, an alienated Edgardo (all leather and wonderfully, so authentically Italianate that it seems un-grateful to ask for a little more light and shade in his singing. especially in Donizetti. The first verse of his final cabaletta was fortissimo, the second a hushed fil di voce: there is room for so much else in between. Mark Holland (Enrico) also delivered firm tone at an unsparing level, and fell back too sparing level, and fell back too readily on standard operatic gesture. Peter Bronder (Arturo) and John Harris (Normanno) handled their assignments with spirit, but William Mackie was a curiously neurotic Raimondo rather than an easis of bass sanity.

Mr Gaskill's previous produc tion for WNO, La Bohème, was a promising, unconventional staging that could have developed interestingly (in the event it wasn't allowed to); the same might be said of this melancholy to Donizetti's musical language that was not well to go.

NEW YORK

of Musica Sacra, directed by Ri-chard Westenburg, and ending with a concert of Bach and Handel at Av-

ery Fisher Hall Oct 22nd. Central

Presbyterian Church (84th & Park). (873 9545).

National Symphony (Concert Hall): Mstislav Rostropovich conducting,

Alexander Toradze piano. Walker Rachmaninov, Dvořák (Tue); Rafae

Frühbeck de Burgos conducting. Narciso Yepes guitar. R. Strauss, Bodrigo, Falia (Thur). Kennedy Center (254 3776).

CHICAGO

October 17-23

Don Giovanni/Glyndebourne

Rodney Milnes

As the years go by, Glyndebourne Touring Opera increasingly attains standards that start to challenge those of the festival; indeed, in two of this year's operas important roles have been unarguably better cast than they were in the summer. But at the opening of the touring Don Giovanni last Friday, one did notice that the London Philharmonic Orchestra was not in the pit. At first the Bournemouth Sinfonietta's rough and ready playing reminded one that they have been going through a sticky patch, but as the evening pro-gressed, so their response to Martin Isepp's conducting grew steadily more alert, and the second act, certainly, was admirably rhythmic and vigorous. I like the way Mr Isepp founds his Mozart sound on a good, solid bass line.

vocal performances. For in-cisiveness of tone, clarity of projection and liveliness of stage manner, Patrick Donnelly (Masetto) put his festival col-league to shame: this was an league to shame: this was an outstandingly successful impersonation. Kim Begley's tenor grows ever more liquidly beautiful and expressive: his Ottavio was strongly, sensitively sting and he embellished both arias to stirring effect. As Elvira, Faith Elliott combined full tone, precise intonation and easy agility to a quite remarkable degree. And Peter Rose (Commendatore) has a bass astoundingly rich and resonant for so young an artist. All four

could have slipped into the festival cast without anyone noticing. Robert Hayward sang the title

Robert Hayward sang the title role. Although his baritone hasn't quite "set "yet—a little fuzzy at the edges—it is most intelligently used (he brought a good range of tone colour to the recitatives) and his account of the Champagne aria revealed a soundly based technique. His acting suggested close study of Thomas Allen in this role (ein guter Meister). Plainly a singer to watch. Elizabeth Collier's to watch. Elizabeth Collier's attractive presence made Anna's fate all the more poignant, but she needed (and just about supplied) a good deal of willpower to get through both arias. Louise Winter (Zerlina) also has a positive stage presence, going hand in hand with almost too positive vocal delivery: she could with advantage relax, and stop worrying the music. Roger surly Leporello, though in rather rusty voice.
Patrick Young was in charge

of the production, and remained on the whole faithful to it, though doing more than merely supplying a carbon copy. I must say I prefer Peter Hall's direction of "Batti, batti" and "La ci darem." None of the cast were helped by the super-titles, which regularly delivered their laugh lines (duly laughed at) before they did. And the mis-translaeasy agility to a quite remarkable degree. And Peter Rose
(Commendatore) has a bass
astoundingly rich and resonant
for so young an artist. All four

at Glyndebourne.

Calling/Scarborough **Martin Hoyle**

Paul Copley is a young actor of sense, sensibility and sensitivity. Deploying these qualities in his capacity as playwright leads to the dauger of making everyone a little too nice. A warm heart does more good beneath the rough bristles of everyday life than on the sleeve where the writer currently cal touches as lights flashing ties—a wife and two bright ties—a wife and two bright children who, he wistfully notes, can read.

The play's even-paced dia-logue would go well on radio. warm heart does more good beneath the rough bristles of everyday life than on the sleeve where the writer currently sports it.

vocation — the school-teaching at which she excels — or the at which she excels — or the caller's patter in the bingo arcade where she takes refuge after sudden flight from a stable background. Or the call of something undefined, perhaps her childhood, a pattern or a purpose, that leads her to hide out in the Yorkshire seaside on the partery of finding her

vanished rather.

The play's real theme might be the three year itch. Samantha ultimately returns to her successful husband and the prospect of children after realising that she has been running from her job, from her marriage, from responsibility. In the process the pieces of her life fall into place, and she has a cathartic effect on at least one of the amusement arcades's workers. This is Ralph, the ladykiller, all sideburns, Cuban heels and black leather, whose lilliteracy she tries to cure with children's reading primers, and whom she forces to face up to

cal touches as lights flashing from above, below, and around The Stephen Joseph Theatre for the bingo parlour, as teddy in the Round is mounting his bears in plastic bags are lownew play. The calling of the title could refer to the beroine's Glen Willaby).

bears in plastic bags are low-ered from on high (designer: Glen Willaby).

As yet the play lacks real conflict, despite an attempted rape, a malaprop-uttering land-lady and offstage revelations about the heroine's parentage. background. Or the call of something undefined, perhaps her childhood, a pattern or a purpose, that leads her to hide out in the Yorkshire seaside on the pretext of finding her vanished father.

The play's vanished father. vanished father. could easily be tiresome. Len-The play's real theme might nox Greaves, looking more than

whom she forces to face up to ing writer.

Wayne Eagling indisposed

Wayne Eagling wil be unabe to perform at the Royal Opera Rouse during October and November as he is still recovering from injury.

Stephen Jeffries, who took over from him in Mayerling on October 14, will take over his role in The Sleeping Beauty on November 1: the replacement for Mayerling on November 7 will be announced later.

Mr Eagling continues to work on the choreography for his new ballet, which receives its world premiere on December 2.

Keep Britain Tidy Group

Message from the Secretary of State for Wales I am pleased once again to have this opportunity of releasing my support for the work of the Keep Britain Tidy Carbo and in periodic, in the Principality, for the allons of the Keep Values Tidy Campaign (pearus achieving a cleaner and

the elloris of this topo years is try Cerebral gramma antering a constraint.

The Carmeign continues to achieve considerable success in fostering a consymmy-vada approach to the problems of litter and in producing solutions in a preciot, structured and co-ordinated way through its Community Environmental Improvement Schemes. I find it most encouraging to see the increasing number of Veloni local authorities that have already adopted, or have now decided to adopt, the Environmental Improvement Schemes supported by the Welch Office and the MSC and with separt advice from the Consultative Committee and the Carpaign Staff. This development reflects great could not be possessing councils who did no much to prove the affectiveness of the Schemes in the early years and now point the vary to others for the future. It is also to the small of the co-operation of the various sections of the Community such as committees and industry, the achoosis and excellent applications and continuity groups, with increasing the support of the Constant Constant of the Constant Council, that the Schemes are proving to be such a success.

such as commerce and industry, the schools and educational establishmens, voluntary organishmens and community groups, with increasingly the support of the Constantly Councils, that the Schemes are proving to be such a success in the Pracipality. I have every confidence that the progress will continue, with the close necession of the Keep Welles Tidy Campaign, to consolidate the achievements amendy made.

This year the Keep Welles Tidy Campaign are farming, with the support of the Velles Turing Boung, a Cleaner Reaches Campaign with the airs of sessing local sufficiency because that beaches are clean and advances to all ceans.

This, is one example from a veried programme of activities which the Keep Drizer, Tidy and the Keep Visios Tidy Campaigns anthus solicity device and molecular.

implement.

The problem of ther is unfortunately one that is not seetly resolved — it has many literals and complexities. The Keep Stain Tidy Group has had a successful year in 1985 in instruming progress in this continuing struggle which reeds the full support of us all, I wight the Group continued success in 1986.

Nectobio Ethereto Nich n - (dem

The CBI says "Clean Up - it's Good Business" Please consider contributions and joint sponsorship schemes Keep Wates Tidy Campaign, The Exchange, Mount Stuert Square, Cardid CF1 6EB Tat: (0222) 467905 Keep Britain Tidy Group, Boatel House, 37 West Steet, Brighton 5Nt1 2RE Tel: (0273) 23585. Registered Charley no. 205976

"Exected from the Group's Armusi Report 1985/86.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theetre/Wednes-day. Exhibitions/Thursday. A selective guide to all the Arts ap-

Music

LONDON

ondon Philharmonic conducted by James Longhran with Luigi Alberto Bianchi, violin. Arnold, Beethoven and Dwifak. Royal Festival Hall Chan Constant (Tue). (928 3191). aglish Chamber () (192), (1920 519).

agiish Chamber Orchestra conducted
by Raymond Leppart and Malcoim
Arnold with Julian Bream, guitar
and Richard Adenay, Inte. Rossini, Rodrigo, Arnold, Queen Elizabeth Hall (Tue). (923 3191). BC Symphosy Orchester

BBC Symphony Orchestra conducted by John Pritchard with Hanna Schwarz mezzo-suwano. Berliez Schwarz, mezzo-soprano. Berlioz, Wagner and Tchatkovsky. Royal Festival Hall (Wed). Philhammonia Orchestra conducted by Esa-Pekka Salonen with Electric

Phoenix and John Lill, piano. Berio,

Phoenix and John Lill, piano. Berro, Grieg and Debussy, Royal Festival Hall (Thur).

Lendon Sinfeedesta conducted by Simon Rattle with Anthony Rolfe Johnson, tenor, and Michael Thompson, horn. Topoett and Britten. Queen Elizabeth Hall (Thur).

PARIS

Orchestre de Paris conducted by Mynng-Whan Chung, Yo Yo Ma, cellor Haydn, Dutilleux, Mendelszohn (Wed, Thur), Salle Pleyel (4561 9630).

Aldo Clocalini, piano. (Tue). Salle Gavesu (4563 2030).

Ensemble Orchestral de Paris conducted by Armin Jordan, Philip Bride, violin. Mozart, Haydn (Tue). Salle Pleyel (4561 9630).

Trio Couperist Bach, F. Couperin, Handel, J. Kuhman (Tue). Saint-Severin Church (4277 1883). Orchestre de Paris conducted by My-

Orchestre National d'Ile de France conducted by Pierre Derusius Alain conducted by Pierre Dervaux, Alain Marion, soloist: Dulas, Mozzrt, Riz-et, Ravel (Wed). Selle Gavean (4563 2030).

Palais des Beanx Arts (512 50 45):
Academy of St. Martin-in-the-Fields, conductor and violin Ken-neth Sillito – Handel, Shostako-vitch, Vivaldi (Toe); Boyal Opera Symphony Orchestra conducted by Sir John Pritchard with London Voices, Terry Edwards, Yvonne Kenny, Diana Montague, Eberhard Buchner and John Tomlinson –

Handel's Messiah (Thur).

Rome: Teatro Olimpico: (Piazza Gentile da Fabriano) Orpheus Chamber Orchestra with the planist Richard Goode playing Bach, Mozart and Haydn (Tue). (380 1752).

materdam, Concertgebouw. The Na-tional Philharmonic conducted by Martin Kamminga, with vocalists: Bruckner, Kodaly (Mon). Hartmut Haenchen conducting the Netherlands Philharmonic, with Jutta Zoff, harp, and Irena Grafenaver, faute: Mozart, Mahler (Tue). Riccardo Chailly conducting the Concertge-bouw Orehestra, with Theo Bruins, plano, John Shirley-Quirk, declaration, and the Concertge-bouw Male Voice Chair under Arthur Oldham: Zemilische Schänberg Prinri, Raeilands Phitharmonic, with Jutta Zoff, vonce Lour noter Artnur Cunnam: Zemlinsky, Schönberg (Thur). Reci-tal Hall: Dutch chamber music per-formed by the Mendelssohn Trio (Mon). Bach recital by the Amster-dam Bach Soloists (Tue). Piano reci-tal by Daria Talizyn (Wed). The Orlando Quartet: Haydn, Schnittke, Schnbert (Thur), (71 83 45). letterdam, De Doelen. The Osaka Philharmonic conducted by Takashi Asahina, with Tomotada Soh, violin: Toyama, Mendelssohn, Brahms (Tue). Recital Hall: Weber anniver-sary concert by Micke van der Shits. New York Philharmonic (Avery Fisher Hall): Klans Temstedt conducting. Alkia de Larrocha piano. Mozart, Bruckner (Tue); Klaus Temstedt conducting. All-Mahler programme (Thur). Lincoln Center (874 2424). Kaufmann Hall: Chamber Music at the Y. Mozart, Debnasy, Silverman, Schubert (Tue, Wed). 1395 Lexington Av (831 8803).

Basically Bach Festival: The eighth festival covers seven events over the month, centred round performances of Musica Sacra, directed by Ri-

(Tue). Recital Hall: Weber anniversary concert by Mieke van der Shris, soprano. Eric Hoepirch, clarinet, and Stanley Hoogland, forteplano: Weber, Schubert (Mon). (414 29 11). Utrecht, Vredenburg, Hartmut Haenchen conducting the Netherlands Philharmonic, with Maria Graf, harp, and Irena Grafenauer, flute: Mozart, Mahler (Wed). Recital Hall: Haeken Austhö, piano: Liszt, Scriabin, Messiaen (Wed). (31 45 44). The Hague, Diligentia. The Hague Philharmonic Chamber Ensemble: Balakirev, Dussek, Albrechtsberger, Stallaert, Lutoslavski (Wed). (55 18 51).

(65 18 51).

Timegen, Veresnigung Ricardo
Chailly conducting the Concertgebouw Orchestra, with Jaap van
Zweden, violin: Rossini, Paganini,
Dvořák (Mon). Recital Hall: Lieder
recital by Frans Fiselier, baritoos,
accompanied by Han Louis Meyer
(Wed). (22 11 66).

Siegiried Jerusalem, lieder, Siegiried Mauser, piano. Strauss, Huessi, Mahler. Konzerthaus Mozart Saal.

stria Topico conducted by Alfred Eschwe with Helmut Demmer, trumpet, Christian Altenburger, violin. Fuerst, Haydn, Vogel, Uhl, Schubert. Konzerthaus. (Wed).
Haydn-Stufonletta conducted by Mandal Haydn-Stufonletta Conducted by Man

fred Huss. Haydn, Mozart, Stravinsky. Musikverein in Brahms Saal. (Thur).

Chicago Symphony (Orchestral Hall): Lorin Mazel conducting. Hindentith, Mahler (Thur). (435 8111). Vienna Chamber Ensemble: Weber, Mozart. U-Port Rani Hoken Hall,

Gotanda (Tue). (723 2356). Gotanda (19e). (123 2350).
Vienna Symphoniker, conducted by
Christopher Eschenbach. Weber,
Mozart, Brahms. Tokyo Bunka Kaikan (1ne). (403 1290).
Munich Philharmaniker, conducted
by Sergin Celibidache. Rossini, Richard Strauss, Brahms. Suntory
Hall, Akasaka. (Wed). (880 6060;
227 9990).

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY Telegrams: Finantimo, London PS4. Telex: 8954871 Telephone: 01-248 8000

Monday October 20 1986

Crucial vote in the City

THE FUTURE position of London in the international capital market will to a signifi-cant degree be decided by the constitutional reforms now being considered by members of the London Stock Exchange. This is the view of Sir Nicholas of the London Stock Exchange. creamed off by a rival exchange.

This is the view of Sir Nicholas The marketability of what
Goodison, the Stock Exchange's remained would suffer as firms chairman, who believes that, of all the major issuses which have confronted the market in recent years, this is the most impor-

years, this is the most impor-tant.

Last year, Stock Exchange members failed by a narrow margin to approve what looked —at least superficially—like a similar set of proposals. Why is reform so important and why should members vote differently

The proposals call for the most sweeping changes in the character and governance of the Exchange. If approved, it will cease to be a mutual under-taking and will register instead as a limited company. Control will pass from the hands of individual members into those of member firms, and the principle of unlimited liability will no longer apply. The governing body will be streamlined, and drawn from a much broader constituency, while its authority will be delegated to committees of practitioners which will have a great deal of

Voting authority

Changes of this sort have been desirable for some time, given that the Exchange is moving into a much more competitive world and can no longer operate as a gentlemen's club. But what has made the reforms essential is that these were the only conditions on which the big international securities firms would agree to co-operate with the established Exchange to develop the central market place in London.
Otherwise, Isro (the International Securities Regulatory
Organisation) would have set
up a separate market of its own for trading in international equities and bonds.

Isro's members would not have committed themselves to an exchange in which the voting authority lay with more than 5,000 individuals and which was run by an unwieldy council of 50 or more repre-sentatives of the established order. From this, everything petition from other financial else follows.

The competitive threat from Isro features prominently in powerful player in the world's

in favour of reform. About 70 per cent of the Exchange's existing trade in equities is con-centrated in the shares of some 60 top companies and a good part of this business could be switched some of their risk capital to the new market. Sir Nicholas claims that each firm would probably have to join both exchanges in order to do
the best job for its clients.
There would be significant extra
costs in terms of trading and

regulatory systems. This threat is much clearer than it was in 1985, when members last voted on reform. Another important difference is that the membership has grown substantially over the period, from 4,500 to roughly 5,400. It seems likely that many of the newcomers may favour

Industry interests

To compensate for their loss being offered a sweetener in the shape of a £10,000 payment to be received at the age of 60 or, if later, on retirement. It is arguable whether they should get anything at all, given that their claims on the assets of the Exchange would only arise in the event of it being wound up. The fact that it is being offered, at what for a period will be a significant cost to the enterprise, shows how anxious the authorities are to win the

While it seems clear that the interests of the securities industry will be best served by the development of the central market, the same does not necessarily apply to its customers Might not listed companies and investors benefit from the kind of vigorous competition which takes place between rival stock exchanges in the US?

Probably not. London may not be big enough to support more than one efficient capital market. There will be intense competition among market makers in London's trading system, and the new regulatory bodies will have the authority to stamp on would-be cartels.

And if the major listed companies and investors are not provided with a decent service, there will be increasing comhelp to make London a more

Overkill in export control

EVER SINCE the US began ICL has links with Fujitsu, and cracking down some five years American manufacturers like cracking down some five years American manufacturers like ago on illegal exports of Honeywell have taken similar militarily-useful technology to the Soviet bloc, businessmen meet the worldwide challenge and scientists on both sides of International Business the Atlantic have complained that legitimate trade in high technology has been unnecessarily stifled. Should Europe's answer be to stop buying has been unnecessarily stifled. Should Europe's cial procedure to the Department of American appears to the Department of American appears to the political appears of American appears to the political appear

It reveals that some European-based electronics companies are searching for other sources. panies are searching for other sources of supply, notably Japan. Other companies in the past have reacted even more strongly, suggesting that the export controls are a surreptitious way of reinforcing US dominance in civilian as well as military technology. They have concluded that the stringency of American licensing is grounds for building a technically self-sufficient European electronics industry.

Cheapest sources

No convincing evidence has been produced to show that American export controls do in practice discriminate against Europeans, nor that honest companies have suffered more than irritating interference and (sometimes expensive) delays. Whatever justifications there may be for an independent third force in world technology trade, the administrative burden of huving American is contributed. of huying American is certainly not one of them. Just because the Pentagon sees advanced technology as a strategic issue does not mean that European industry should head for the bunker

Like it or not, companies are operating in a world market and are compelled to buy their com-ponents from the cheapest and most reliable sources: the cost of duplicating in Europe lowprice Japanese chip manufacture or sophisticated US systems would be unbearably high and absurdly wasteful of re-sources. Their own commercial alliances outside Western Europe show that companies recognise the fact. Britain's

Machines.

cost of American export con-trols will be high. For example, A recent survey conducted by the commercial section of the British and US government the US consulate in Frankfurt have been arguing for over a year whether holders of American distribution licences in controls exaggerate the strategic threat and do more damage to US companies in Europe than to the Soviet military machine.

Britain should be forced to submit to inspection by US officials as required by American law. The extra-territorial application of that law has been a running sore in transatiantic commercial relations

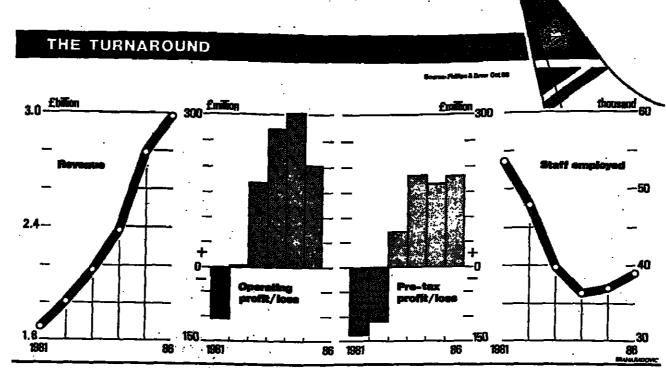
Better balance

The huge embargo list of so called "dual use" items operated by the Nato allies and Japan is still seen by frustrated manufacturers as the product of American strategic obsessions rather than as a sensible restraint on high-technology trade with the Communist bloc. Efforts have been made to refine that list (Apple computers were taken off last year) so that vesterday's hardware in so that yesterday's hardware is set free as tomorrow's tech-nology is added.

No administrative system. however rigorous, will be proof against people who make money by leaking sensitive technology to the Soviet Union, just as no economic embargo is totally enforceable and no law will deter every potential traitor. It is a question of striking a better balance between the needs of honest traders and the oppor-tunities for dishouest ones.

A still more discriminating approach by Nato's co-ordinating committee (CoCom) would go a long way to relieving the unnecessary burden of US controls on the free world's electronics manufacturers and traders. At the same time the Pentagon should trust allied governments to track down and punish those who smuggle technology to the East. Once American technology leaves US shores, it becomes a collective responsibility. The present system destroys business confidence and invites illogical responses that would only stifle innovation still further.

THE PRIVATISATION OF BRITISH AIRWAYS



Poised for take-off

tion, including one lastminute postponement earlier this year, British Airways is at last taxi-ing towards privatisation. Tomorrow, the Government and the airline are due jointly to announce the

The prospectus is expected to be published around the New Year, ready for a share sale in late January or early February. The Government will sell all its BA stock, retaining only one special Golden Share to prevent the airline from falling nto foreign hands.

It is the moment that Lord King has been working towards since he was appointed chair-man in early 1981. He came in at a bad time. In an economic recession, BA was almost bank-rupt, top-heavy with staff and low on morale. The quality of service to customers was abysmal; and many senior managers seemed unable to recognise the problems, let alone put them

By any commercial standards, the turnround since 1981 has been remarkable. Over the past four financial years, total operating surpluses have amounted to £943m and total pre-tax profits to £609m. Capi-tal debt has been reduced from £1,053m to £379m, and capital and reserves have gone from a deficit of £195m to a surplus of £480m. This has been achieved by substantial retrenchment and an almost complete reversal of

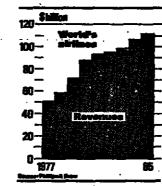
often arrogant approach of BA in the 1970s—that only the air-line knew what was good for the passengers—has given way to recognition that the passengers are the reason for its business, and not an interruption of the staff's daily lives. The changes have not been achieved without pain. Many senior staff have left, some hurriedly, and new top management recruited, including the current

chief executive, Mr Colin Marshall, and the finance director, inficant than many outside the Mr Gordon Dunlop. Staff of industry imagine. This is largely 56,000 have been cut back to 36,000, although that figure has world local monopoly suppliers subsequently crept back to 39,000; some routes have been alow, to pass on to the airlines axed; old aircraft phased out; properties and equipment sold; reductions. BA has suffered and new management and staff this problem at some destinamotivation plans implemented to inculcate new attitudes.

Passengers are now ready to admit that BA has improved; indeed the airline has topped for two years in succession Executive Travel Magazine's reader poll of airline service. A recent and sweeping reorganisation of marketing and operations, however, is acknowledgment that more still needs ledgment that more still needs

The continued recovery of BA has been helped to some extent by the general recovery from the world recession of the early 1980s that has already lifted total world scheduled air travel from 748m passengers in 1980 to 892m last year. The overall forecast by the International Civil Aviation Organisation is for a steady ? per cent a year expansion through the rest of this decade and into the 1990s.

On the other hand, recent years have also seen an intensi-fication of consumer and government pressure for lower fares. Although recent declines in fuel costs have helped to some



and South-East Asia.

This summer, the airline was also hit by the downturn in US traffic to Europe through fears of increased terrorism in the wake of the US bombing of Libya

Later this summer. BA reported that things were getting better, and that traffic, especially on the North Atlantic, was back above that of the same period last year. Just how far the summer problems will affect the current year's profit affect the current year's profit and loss account is uncertain. and loss account is uncertain.

BA depends on its summer profits to carry it through the bleaker winter months, when it does little more than break even (as it did last winter). Short of a substantial traffic boost this autumn and through the appring winter. through the coming winter, pre-tax profits for 1986-87 as a whole probably will be lower than last year's £183m—one City forecast is £125m, with perhaps an improvement to

Another problem, now re-solved, was the anti-trust suit brought against BA and other North Atlantic airlines in the US by the liquidator of Laker Airways, claiming damages for tively paying out \$68m.

£200m in 1987-88.

There have also been difficul-ties this year in negotiating at the top in BA expects a government level a renewal of smooth flight into the rest of part of the Bermida Two this century.
Anglo-US bilateral air agreement, which governs the num-

Annex Two, this pact expired in that without a new agreement there would be serious seat dumping by US airlines on the route. This, together with a UK desire for anti-trust immunity for British airlines on the North Atlantic, led to the post-ponement of BA's privatisation earlier this year.

A three-year Amer Two pact has now been signed, thus shelv-ing difficult issues for at least

It is also a fact that although BA must face "dual designa-tion," the introduction of more UK independent and foreign UK independent and foreign airlines on its international air routes, many UK independents believe the Government will continue to regard BA «
Britain's favoured airline when
civil servants come to discuss
international route rights and

international route rights and other civil aviation matters. Other problems do lie ahead, such as the biggest re-equipment programme in BA's history, costing as much as £5bm between now and the end of this decade. Part of this has been settled by the decision to buy 16 Boeing 747-400 Jumbo jets, with an option on another 12 worth over \$4bn. BA has 12, worth over \$4bn. BA has still to decide on new short-to-

The runway may now be

Figuring out a supersonic sales pitch

Airways Concorde will circle in the air above the fund managers of Edinburgh, preparatory to booming down the North Sea corridor for champagne and strawberries over the Bay of

The passengers on this trip will be representatives of the financial Press, aptly pressurised into their supersonic cabin for an in-flight briefing from BA's management and financial advisers. The hard selling of BA will have begun at high altitude, and with a sonic bang.

When the travellers return from lunch to the concrete wasteland of Marsham Street, the official Press conference at the Department of Transport can be expected to pass off in high good humour.

Past doubts as to the airline's marketability have been swept aside: the Laker Jawsuits have been tidded up, the next genera-tion of aircraft financed off the balance sheet, and BA's vital balance sheet, and HA's vital North Atlantic market protected by a renegotiation of the Bermuda anti-dumping agreement. Tough questions about the price at which the shares are likely to be sold will be deflected until the publication of BA's prospectus, perhaps three months ahead.

Beneath this elick marketing exercise, designed to establish by association that BA is a premium business of its kind, the Government is, as ever, simply trying to sell an asset at the fullest price that will go down well in the City.

To draw in the stags, who may be sated or frustrated by the enormous British Gas issue, BA will have to be put forward as a bargain. The problem is that UK investors know at first hand the quality of BA's service—an wareness that remains one of A's more ambiguous assets but they have no relevant yardstick in their portfolio by which

to measure its value.

The selling might have been much easier had it been possible to float BA two or more years ago. The recovery pro-gramme which Lord King initiated in 1981 had still one really impressive year left in it, before the climb started to medium range jets, such as level out. Productivity gains either the Airbus A-320 or the from shedding one-third of the Another problem, now resolved, was the anti-trust suit brought against BA and other North Atlantic airlines in the US by the liquidator of Laker Airways, claiming damages for alleged conspiracy to drive Laker out of business. Although consistently denied by the airmes, including BA, that suit was ultimately settled out of court, with the airlines collectively paying out \$68m.

either the Airbus A-320 or the from shedding one-third of the later Boeing 7J7 prop-fan, set for delivery in 1992.

In summary, BA is probably now as ready as it will ever be for privatisation. Lord King is confident of success, despite the volatility of world air transport traffic had yet to suffer the impact of Tripoli and Chernobyl. It will be harder to sell BA's conjugation, pressures for recovery story in a year when profits have dipped, perhaps quite sharply.

The summary BA is probably the squeeze on working cash into the balance sheet faster than BA needed to spend it on new aircraft; and tourist traffic had yet to suffer the impact of Tripoli and Chernobyl. But it is early days: the City is not yet buzzing with learned discussion of breakeven load factors, revenue passenger quite sharply.

quite sharply.

Deprived of this basic sales pitch—crudely: sit back for a couple of years and watch it dight into the rest of soar—the equity salesmen will thus be driven back to more difficult ground. Their first task is to din into City conscious-

LATE THIS morning a British ness a suitable picture of th world sirine industry and BA; rating within it.

As luck would have it, the in-dustry background has turned more rosy, with the collapsing oil price, than anyone had a oil price, than anyone man a right to expect. Quite apart from the major direct benefit which will eventually come through to airline profits—at the oid prices, fuel was between 20 and 30 per cent of costs the stimulus to economic growth in oil-importing countries should also lift the rate of traffic growth. Since an airline is the classic example of a business with enormous fixed energy over any greatering. costs, once you are operating above break even, the marginal above break even, the marginal ticket sale is almost pure profit. So airlines in general should be a more attractive investment proposition than they were. Working out the place of BA within this framework is no simple matter. There are a few simple matter. There are a few well-sired questions that the airline has still to deal with from ageing Jumbo jets with cracked fuselages to the ques-tionable popularity of its glossy tionable popularity of its glossy new terminal building at Heath-

More positively, BA inherited from the early days of international flight one of of international fight one of the strongest route networks, Since the dark days of the early 1980s, BA has achieved an internationally respectable level of productivity, at com-paratively low unit wage costs, and established itself as a leader in the computerised at of selling its seats at the optimum mix of prices — the key to maximising revenue per passenger mile. The balance sheet has been rebuilt, and BA's ability to finance its busi-ness no longer appears ques-

tionable. What will make BA a nightmare issue to price, even so, is that no two airlines follow the same accounting conventions. Most critically, they differ in their treatment of aircraft leases and depreciation, making straightforward comparison of their profits impossible thus distorting their relative stock

market ratings.

If the earnings of BA and its competitors are brought into line—by putting them on a common accounting basis as will in practice be required of BA's financial advisers—it seems likely that BA could be pitched at an attractive discount to its

ing lease accountancy. Maybe it will all come down to a free ride on Concorde—or a few points of dividend yield—after

Jeremy Stone

Frostbite at Renold

"That," says Peter Frost, reflecting on the boardroom shake-up at Renold, the Manchester-based engineering group, "Is the essential role of non-executive directors. They are the only independent people are the only independent people in a position to form a judg-ment about the executives and

ment about the executives and to take action."

Frost, 59, and three other non-executive directors came to the view last week that Renold's lack of profitability in the first half of the year called for changes.

Out went managing director Niget Blakstad, to be followed by the resignation in protest of Frost has taken over as chairman with executive powers at least until a successor is found for Blakstad.

"Non-executives," he says,

"see too often too reluctant to press for changes when they think things are going wrong." This is the second time in his career that he has forced the issue. Three years ago, as chairman of Ward and Gold-stone, an electrical wire and accessories manufacturer, he secured the resignation of

B

"Old Chinese proverb — it says "Visiting British students should be seen and not

Men and Matters

managing director Michael Goldstone, a member of the founding family, after differences over plant closures. Frost remains non-executive chairman of that company, now renamed Volex Group. "I

Yorkshireman, Frost A

started as an office boy at the age of 15 with Thos. W. Ward, an industrial holding company, and worked his way through the ranks to become chairman.

In 1981 he made a bitterly contested bid for Tunnel Holdings, a rival cement manufac-turer, where he also had a non-executive sest on the board. The fraces ended in both companies being taken over by RTZ. Frost resigned shortly afterwards; Tunnel's chairman, Derek Birkin, is now RTZ's chief executive.

Glass case

Tucked in with the half year Tucked in with the half year figures from Rockware, Britain's biggest independent glass bottle maker, came the terse statement of a new non-executive board appointment: Henry Poole, of stockbrokers Laing & Cruickshank, the doyen of City analysts covering the packaging sector to which Rockware belongs. belongs. Might this not involve a con-

flict of interest? "It's unneces-sarily coy to argue that," Poole says. "A directorship in a small company out on one limb of the packaging industry won't con-flict with the way I do the rest of my business." Although his firm has a 15 per cent share of the Stock Exchange's turnover in paper and packaging stocks. Poole argues, his research is selective

and does not include detailed

investment recommendations on

the glass industry.

His massive 366-page UK Paper and Packaging Directory, a standard reference source for the industry, thudded on to clients' desks a week or two ago. Restructuring is needed in the glass industry, it warns, though, "it would be wrong to renamed Volex Group. "I the glass industry, it warns, prefer the non-executive role," the says. "It leaves me time to do other things that I want to do." the says of the glass industry, it warns, though, "it would be wrong to be too pessimistic about the future trend of glass container volume."

Sir Peter Parker, Rockware's ebullient chairman, is enthusiebullient chairman, is enthusi-astic. "The word analysts often conjures up a slit-eyed recluse with a Balliol accent," he says. "But Henry has been out and about in the industry, and he's a businessman, not just a com-mentator. It's a good thing for the barriers to come down."

For his part, Poole says, "I've had a lot out of the industry over the years, and I'm keen to put something back in." One recipient could be Parker himself, who last year bet Poole that one of the convenience. that one of the company's plants would not close within two years. He is still on course to

New partners

What do a white woman and a black man and a former rocket scientist have in common? No they are not members of the next US space shuttle crew. They have just been appointed partners of Goldman Sachs. which is generally regarded as the most prestigious of New York's investment banks.

Jeanette Loeb, aged 34, has made history by becoming the first woman to join the Gold-man Sachs partnership, and Garland E. Wood, aged 42, is the first black to be appointed to a similar position. Fischer Black, a 48-year-old former pro-fessor at Massachusetts Institute of Technology, is the exrocket scientist who has also been made a partner. Becoming a partner of

Goldman Sachs is one of the biggest honours a Wall Street high filer can hope to achieve and the list of new partners ann the list of new partners— announced once every two years—is vetted more closely than the seating plan for most royal occasions.

Traditionally, Goldman Sachs has appointed around a dozen has appointed around a dozen-new partners every two years but this year the firm has announced a record number of 37 new faces. The two youngest new boys are Thomas Pura and Paul Jacobson. Both are aged 32 and are co-heads of US Government Securities Trading. The average age of the new partners is 38 and, although Goldman Sachs refuses to say how much they earn, the public relations man tells me that it is safe to assume they are "comfortably well-off."

Speech therapy

John Elliott, chairman of Elders IXL and new owner of that most British of brewers, Courage, has a secret inspira-tion. When the commercial going gets tough, he listens to tape recordings of Winston Churchill's speeches. As he drives around Mel-

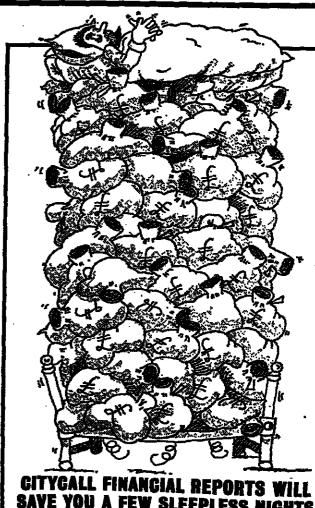
As he drives around Mel-bourne in his Mercedes, the voice coming from the tapedeck is likely to be that of Churchill. "I carry tapes of Churchill in my car and when-ever I'm feeling depressed about something, I put him on."
says Effloit. "By the time I
get out of the car I'm usually
fine. After all, he's the person
who saved the Western

But the late British prime minister played no part, it seems, in the A\$1.7bn battle for control of BHP earlier this year. It was fairly clear that we were in a no-lose situation. I didn't need Winston," Elliott confirmed at a Melbourne function to launch a biography of

-saying that at 45, he's a little too young to need a Boswell.

Control of the second s

Observer



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put your mind at rest. You can also hear about Active Shares, stockbrokers views on New Issues and a wide range of

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land.

It is easy to see why the two leaders have done their best to accentuate the positive. Reagan had already satisfied the rightwing advocates of Star Wars; all that was left to do was to reassure the middle-of-the-road supporters of arms control that he was rooting for them too. Conversely, Gorbachev could hold out the hope of a spectacular compromise with the US on the basis of parity, while reassuring his conservative critics that he had not let Reagan get away with Star Wars.

Now, at one level, the rest of the world should be impressed and grateful for what was nearly achieved at Reykjavik, and may yet be achieved at some future date. Richard Nixon and Henry Rissinger set the benchmarks for arms conformed for five years; SALT II would cession was to agree that the

the benchmarks for arms con-trol in the 1970s, yet they did not manage to negotiate any-thing much better than a simple freeze: then along came Ronald Reagan, with a known ambi-valence about sims control, and in one weekend reaches agree-ment on a 50 per cent cut in all long-range strategic nuclear weapons, and the elimination of weapons, and the elimination of all intermediate-range missiles from Europe. For the first time since World War II, it looked as though the nuclear arms race could be dramatic-ally reversed, in terms that seemed to imply a major and durable improvement in eastdurable improvement in east-

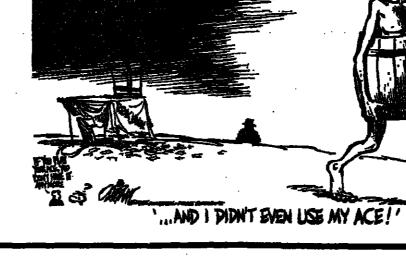
west relations.

And durable? Certainly. Ten years; that was the best bit about the potential package from the Holdi House, far more significant than any weapons

Reports of the breakdown naturally focussed on the Star Wars stumbling-block, when President Reagan almost agreed

when it comes right down to it. Reagan and Gorbachev both seem to pass a very similar verdict on their meeting at Reyklavik. It was nearly a triumph; or it produced real progress which was only prevented from being a total triumph by the refusal of the other fellow to go the last yard; or it was a good foundation for further negotiations: something like that. Yet everybody knows it was a failure. The question which may be worrying some European governments, and ought to be worying some Americans, is whether the Atlantic alliance can survive many triumphs liae the one we almost had in Icoland. It is easy to see which the form triumph

By Ian Davidson



date is obviously arbitrary, influenced by the arrière pensée that eventually weapons may need replacing or modernising: the first Strategic Arms Limitation Treaty (SALT I) was valid for five years; SALT II would have been valid for 61 years if it had been ratified by the US Senate, but there would have been just as much logic in four years or seven. in four years or seven.

A treaty for a deep cut. by contrast, needs an organically logical duration, falling into two parts, the dist for carrying out the reductions by stages, the second for the validity of the new, lower weapons levels. Staged reductions would be necessary, because neither superpower would trust the other to hold a simultaneous great bonfire of all its surplus missiles, warheads, bombers and submarines on Day X; suspi-cious conservatives on both sides, who attach great importance to equal numbers, would demand a process of salami slicing, followed by intensive analysis of satellite surveillance, to make sure that the missing weapons had not just been spirited away to some new

cession was to agree that the Americans might be allowed to break out of the ABM con-straints after a number of years: but it was inconceivable that he would agree to such a break-out, so long as the Soviet Union was bound by treaty limits on its offensive weapons. In other words, a 10-year delay in any Star Wars deployment also defines the duration of an offensive weapons reduction.

The advantage of a deep cut is not that 6,000 nuclear waris not that 6,000 nuclear war-heads on each side would be somehow safer than 10,000— both numbers represent a dizzing degree of overkill— but that this type of treaty would confer added benefits, in the shape of predictability, par-formance monitoring, con-straints on force structuring, and almost certainly much more cooperative verification.

If such a treaty is observed

more co-operative verification.

If such a treaty is observed by both sides, and if compliance comes, first, to be recognised, then to be expected, a virtuous circle is created which helps to build confidence. Deep cuts imply some degree of shared long-term planning of forces, avoiding nasty surprises like the Soviet build-up of multiple warheads in the 1970s. Cuts clearly require destruction of weapons, which may not be verifiable without some on-site inspection. The cumulative effect of these President Reagan almost agreed to postpone any development of anti-missile defences for 10 years. Gorbachev had originally demanded a delay of at least 15 years; Reagan had replied with a counter offer of 7i; so it looked like a classic case of halve the difference. The real significance of a 10-year period is quite different. When the two sides first started talking seriously about deep cuts in strategic arsenals, about a year ago, it was obvious that they would have to be talking about a long-lasting agreement of, say, 10 years; and comes, first, to be recognised, then to be expected, a virtuous circle is created which helps to build confidence. Deep cuts in build confidence. Deep cuts in purpose like the service at least five years of anxious checking. Manifestly, such an agreement would not expire as soon as the cuts were achieved; heads in the 1970s. Cuts clearly require destruction of weapons, the new lower levels without some on-site inspection. The cumulative effect of these considerations ought to be to approach to the first deep cuts in other words, the logic at the new lower levels without some on-site inspection. The cumulative effect of these considerations ought to be to approach to the first deep cuts in other words, the logic at the new lower levels without some on-site inspection. The cumulative effect of these considerations ought to be to approach to the field of nuclear agreement of, say, 10 years; and weapons.

For the time being, at least, delightful prospect has been blocked by the failure of the Reykjavik meeting, and specifically by President Reagan's determination to accept no significant restriction on the development of his beloved Star Wars anti-missile programme. Your optimist refuses to be discouraged, however, and believes their pockets, evidently determined to unbalance Mr Reagan that the two sides got so close to a package deal that Mr Gorbachev is bound to be able to sign an agreement, if not with President Reagan, then with his successor. But your Old Apprehensive is troubled by a few unanswered questions.

anyone take seriously their more modest and more attainable proposals when they apparently mix them up with lisping fairy stories from the nursery?

Question 2: Does the Reyklavik plan would remphasise questions over extended deterence, and would leave Nato facing a Warsaw Pact with a superiority, both in conventional forces and in shorter-with a bag of new proposals in mide to unbalance Mr Reagan and bounce him towards a major package deal. They always an agreement, if not with President Reagan, then with his successor. But your Old Apprehensive is troubled by a few unanswered questions. answered questions.

answered questions.

Question 1: What credibility is there in the position of either of the two leaders? Should we really believe that they are seriously proposing what they say they are proposing? Or is Star Wars a wonderful pretext for both sides, which allows them to talk big about nuclear disarmament without any dandisarmament without any dan-ger of having to sign an agree-

If a 50 per cent cut in strateif a 50 per cent cut in strategic weapons is spectacular, it is just about imaginable; but President Reagan apparently went on to propose getting rid of all the remaining strategic missiles by the end of the 10-year period, just keeping his Star Wars as a little insurance policy while Mr Gorbachev policy; while Mr Gorbachev reverted to his three-stage blueprint for eliminating all nuclear weapons world-wide in the next

weapons world-wide in the next
13 years.

Who do they think they are
fooling? Star Wars can probably never work as advertised,
but in any case it will certainly
not provide insurance against
anything within 10 years. It
would be wonderful, no doubt,
if we could return to the next if we could return to the pre-nuclear age, but Mr Gorbachev must know and President Reagan should know that it is quite impossible. So why should

mined to unbalance Mr Reagan and bounce him towards a major package deal. They almost succeeded, and had they done so, we might now be celebrating a magnificent achievement which nevertheless contained a lot of worrying elements.

Some people, like Dr David Owen, believe this kind of high-pressure encounter is a fine test of political leadership and decision-making, and a good way to side-step bureaucratic obstructionism. Maybe; but it is also possible that the two men have bounced themselves into a trap over Star Wars from which there is no escape.

which there is no escape.

Question 3: What are the implications of the Reykjavik meeting, both procedurally and in substance, for Europe's security? The main issue here is the provisional agreement to remove all America's cruise and Pershing II and all Russia's SS 20 missiles from Europe, while leaving 100 SS 20 warneads in Soviet Asia and 100 similar warheads in the US. On the face of it, this looks wonderful—the Zero Option that the Russians refused in 1921-83. But it highlights two serious issues.

The cruise and Pershing IIs

would have the right to build up matching short-range missiles. But it is rather difficult to imagine circumstances in which Western Europe would be prepared to go through the fire of another publicised deployment of nuclear weapons. So the net effect of the Reykjavik plan looks like a Europe decoupled from America and at the mercy of the Soviet Union.

of the Soviet Union.

If Reykjavik turned out to be a high-risk, high-wire struct, the responsibility dies firmly on Mikhail Gorbachev; Reagan was bounced. It remains possible that the two superpowers will conclude a spectacular arms control deal, presaging a turning point in their bilateral relations. Nevertheless, the provisional out-turn prompts several coms. Nevertheless, the provi-sional out-turn prompts several comments from a European perspective. I. President Reagan still clings to a Star Wars Dream which will be, at best, a fantastic waste of money, at worst, dangerous and destabilis-ing. 2. For the sake of Star Wars he was prepared in reject a ful—the Zero Option that the Russians refused in 1981-83. But it highlights two serious issues. The cruise and Pershing IIs were originally designed to solve two problems: to symbolise America's nuclear commitment to the defence of Europe, and to enable Nato to reduce its dependence on very-short-range nuclear weapons which were increasingly felt to be dangered. It is quite a catalogue.

Lombard

How to attack **Eurosclerosis**

By Samuel Brittan

If there is any complacency want to bring back fixed comleft among supporters of missions, credit controls and
Europe's conservative governments, it should have been blockages to trade in goods
shattered by Professor Herbert
Giersch's Wincott Memorial
Lecture last Thursday.

want to bring back fixed commissions, credit controls and
blockages to trade in goods
and services—and in the hiring
of workers—are far more
important.

Both the German and British Governments tend to take refuge in modest economic growth, low inflation (in Britain's case on a very fragile basis) and the fact that very high unemployment has for the moment ceased to get worse— again a precarious achievement. Prof Giersch shatters this complacency by pointing to at least two glaving defects in present policies.

They leave a large pool of outsiders, who are unemployed or in the black economy, who do not enjoy the benefits of such growth as there is. This is just as much an injustice as the poverty lobby believes it to be, even though Prof Glersch's remedles are of an opposite kind. There is a great waste of

There is a great waste of potential. Now that some of potential. Now that some of the most painful adjust-ments in the older industries have been made, public sector deficits have been curbed and indiationary ex-pectations are low, Europe ought to be able to look forward to another period of 41 per cent annual growth, instead of the 21 per cent held out by the present Com-munity Governments.

Prof Giersch's plan for faster growth has three prongs: liberalisation of labour markets, completion of the EEC internal market and liberalisation of trade with the rest of the world.

Even when it comes to tax cuts, Prof Glersch's advocacy is very different to that by typical very different to that by typecal Republicans, Conservatives or Christian Democrats. He does not mind seeing such cuts as a demand boost, but only if undertaken as an adjunct to measures of liberalisation which will simultaneously speed

up growth.
A co-ordinated fiscal relaxation in Europe—on which
Giersch's own country would Giersch's own country have to take the lead—"would allow trade negotiators and deregulators to deemphasise the direct losses of output and employment expected from removing restrictions and to employment expected from re-moving restrictions and to anticipate a pull of demand to alternative uses which will facilitate the transfer of re-sources set free by com-petition."

The ultimate chiest of Prof.

petition."

The ultimate object of Prof Giersch's tax cuts would be to boost investment. But he thinks the best way to encourage investment in new capacity, which would employ labour, is to cut general taxes on income or on payrolis and combine this with wage modern. combine this with wage modera-tion to boost profit expecta-

financial climate for employment growth would be one of near grown would be one or lower taxes, greater profit-ability, but also a reasonably high interest rate to reflect the scarcity of capital and to dis-courage its substitution for labour. Again not a message that Reaganites and Tories will like

trade with the rest of the world.

Its omissions are as important as its inclusions. There is for instance not a single reference to privatisation, which forms so large a part of Thatcherite radicalism. It is not that Prof Glersch is against selling state-owned industries; but it fits into his universe only as an adjunct to removing constraints on competition—which will be hardly achieved by making Sir Denis Rooke's British Gas into a private monopoly.

Nor did he mention the financial markets, which is where most liberalisation efforts are concentrated in the Big Three European countries.

Again this is not because we instead.

Why not float the BBC?

From Mr T. Horton Sir,—In his Lombard column of October 13, Samuel Britten discussed the possible sale of BBC Radios 1 and 2.

A much simpler, but more radical, approach which the Peacock committee seems to have ignored would be the flotstion of the BBC in a manner comparable to that of British Telecom and British Gas, Rather than become bogged

down in the means of financing the BBC, it would be wiser to broadcasting organisation. A subscription service is a perfectly valid means of financing and there is no reason why the BBC should not retain this characteristic, with controls on the level of subscriptions comparable to those that already apply to British Telecom, Similarly, the BBC could retain its charter. It can be controlled in the control of see it for what it is, namely a major subscription service charter. It could also be encouraged to provide an enhanced range of services, if it is able to do so from better management of resources and the generation of overseas sales of programme

in this way, privatisation would provide the opportunity for the BBC to retain its basic integrity, while detaching it integrity, while decarming it further from the public sector and basing it more appropriately for the pluralistic broadcasting system that will prevail in the next century. Ideally, the BBC would become the leading subscription broadcasting services in the world, at a further remove from Consenuent and with its from Government and with its capital held by employees and outside shareholders. This would

outside snareholders. This would certainly be a more elegant solution than many of the proposals that have been floated in the past year.

I should point out that I write as a former chairman of the ciation of Independent Radio

Toby Horton. Minster House, Arthur Street, BCA

Commercialised

ORIS I

ESS 1

25 - 3

cuiture From the Managing Director, Radio, BBC

Sir.—Samuel Brittan's Intest Lombard column (October 13) makes bullish estimate of the sell-off value of Radios 1 and 2 as "going concerna."

But do broadcasters really

own transferable rights in the frequencies they are licensed to occupy? If so, it is news to me—and will be to Granada. Thames, London Weekend TV, etc.
Then, does his exploitation scenario includa earryingover obligations as well as opportuni-ties? I look in vain for talk of news rooms, sports desks, musical groupings, let alone

Letters to the Editor

fully-fledged orchestras.
Indeed, does not Charles
Johnscher, whose estimate Samuel Brittan quotes, openly assume a whole-hearted hands-off, ads-in-operation? As a consequence, the privatised "going concerns" will inevitably bear little listening relationship to other million per a preparation.

they are "ad-free"?
That "ad-free" quality is equally of the essence to Radio 3 and 4, as Samuel Britan readily accepts. It is surely a most vulgar form of cultural elitism to insist on maintaining "ad-free" status for what you personally like, while con-signing listeners to alternative forms of radio to an "ad-only" future. Why one rule for Jameson and another for Janacek?

Profit related

From the Chief Executive, New Bridge Street Consults Sir,—We commissioned the Bianchiower and Oswald studies, and are disappointed that Samuel Brittan (October 16) labels the second as "very hostile" to PRP (profit related pay). On the contrary, that study finds that PRP is already being practised by over 40 per cent of UK enterprises. My conclusion is that PRP is here, and here to stay, whether or not there is tax relief for it. The intent and purpose of the two studies was neutral, and designed to improve the quality of the debate about PRP. The results are un-expected, but they represent the most serious and weighty studies on PRP in the UK, and command serious consideration. It is very significant that the Weitzman justification for PRP is not advanced in the Green Paper, indeed you reported (October 13) Weitzman's own significant change of approach (it can't do any harm, and something has to be tried)

remaining reasons, summarised only three.

by Samuel Brittan, have yet to enjoy the backing of concret The arguments for PRP

are compelling, as already accepted and acted upon by a significant number of com-panies, if, and only if, more account is taken of the human sceount is taken of the numary spirit and its need for motivation, than of the economists' macro-economic balance sheet; The arguments for tax relief for PRP are compelling

reher for PRP are compelling it, and only if, they concentrate on the potential of PRP (rather than an incomes policy) to break the inflationary pay rise cycle, and not on the economic arguments advanced in the Green Paper.

Laurie Brennan. 30-34 New Bridge Street, EC4.

Transferable allowances

From Mr J. Stirling. Sir,—The letter from Mrs Barwise (October 11) is inter-Barwise (October 11) is interesting as it demonstrates how opposition to reform can arise from a gross misunderstanding. Mrs Barwise siks, for example, why a mother and daughter living together be denied the facility of transferable allowances just because they cannot get married? The simple answer is that they have no need to transfer allowances as they do have, which a married couple does not have, the facility to transfer income (by deet of covenant).

Those who will benefit most Those who will benefit most from the Government's proposals with be the young couple with a young family where the young wife wishes to bring up their children at home. This old fashioned custom may be anothers to some, but many of us will think that the children will have a happier childhood

and that society will be the better for it.
John F. Stirling.
13 Duckers Drive 13 Duchees Drive, Helensburgh, Dumbarton. Intellectual

property From the Chairman, Intermotor Sir. - The Government proposals for reform of intellectual property law ere not necessarily misunderstood by companies that will be affected, but do which is due in part to his appear to be misrepresented by Mr P. Orton (October 14). There consideration of the first study. If the Chancellor has abandoned are many arguments and points that can be made against these the Weitzman macro-economic justification for PRP, then the second study warns that the proposals but I will mention

The proposed new laws will not protect only inventive or innovative designs but will extend to any simple functional design, even a slight variation of an existing product. This will lead more to legal ingenuity rather than design ingenuity.

The "limited" period of protection is a complete monopoly for five years and a part

monopoly for another five years. A small change of design can perpetuate this situation.
These proposals will tie the hands of British manufacturers

of spare and replacement parts thereby giving overseas manufacturers even greater advantages. G. H. Paris,

Occupation Road, Hucknall, Notts. Comparing

forecasts From Mr M. Lauton Sir,—I read (October 16) that

the Treasury is entering the business of publishing comparisons of the economic forecasts of other organisations. Should this prove to be profitable, I hope we will see the operation. sold off to one of the private organisations which have, from time to time, provided a similar

More importantly, may we have a guarantee that if such a veniure cannot fully cover its costs, the Treasury will stick to its knitting and use the resources to extend the provision of economic statistics rather than recycling what is already available.

Mark Layton, Incomes Data Services.

193 St John St, EC1

Gasless in

Bricks. From Mr A Stevens Sir,—I notice that British Gas is (like the TSB) giving preference to existing customers when deciding the allocation of shares under the privatistation pro-

This policy is very unfair to those who would like the oppor-

tunity to become gas consumers, but are unable to take advantage of using this chesp form of fuel because British Gas refuses to connect many consumers in small rural communi-ties. Even though a gas main runs through this village British Gas will not connect us " in the foreseeable future," so we suffer the double disadvantage of lack of choice of fuel and a reduced chance of buying British Gas shares. At least everybody had a choice of being (or not being) a TSB customer: British Gas policy is unfair to those in remote communities, and should be amended to discriminate against only those who could be British Gas customers but have not taken the opportunity. A. H. Stevens.

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the business plan?

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Projected Turnover: No. of Employees:

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FINANCIAL TIMES

Monday October 20 1986



Roderick Oram on Wall Street

Mammon for China Post-Mao

THREE WEEKS from today, some 25 men and one woman repre-senting the cream of Wall Steet, will ascend the steps from Tiana-men Square in the heart of Peking and enter the Great Hall of the Peo-

muffled rumbling as thunder in the hills north of the capital. More likely, a neglected asset will be rolling over in the Mao mausoleum out in

Billed as The China-United States Symposium on Financial Markets, the four-day event, co-sponsored by the New York Stock Exchange and the People's Bank of China, deserves the working title

Mammon comes to post-Mac China. Less than 40 years after stocks and bonds were branded capitalist tools for the suppression of workers and the free-wheeling Shanghai Stock Exchange was turned into a hook store, the Chinese want to hear what Wall Street can do for

leaders are keen to adapt and adopt capitalist mechanisms useful to China. A Shanghai Stock Exchange opened last month consisting as yet of little more than half a dozen in off the street. In the southern

All this is rather bemusing to Mr William Rogers who, 14 years ago, stood in the Great Hall of the People toesting Chairman Mao. Then Rogers was US Secretary of State accompanying President Nixon on his historic journey to the Middle

Ringdom.

Now Mr Rogers, an adviser to
Merrill Lynch, the world's largest
retail stockbroker, will return to deliver a paper on capital markets, their function, scope and evolution. He says it would have seemed "very unlikely" back in June 1972.

"The concepts are not difficult if we don't get into details. I just hope we can avoid the Glass-Steagall act," adds Mr Rogers, a prominent financial lawyer.

Even Confucius would have had trouble conjuring with "non-bank banks" and other arcane concepts enshrined in the act, a crumbling last stand against commercial bank

territory.
Wall Street's jargon "is even tough for Americans," Mr Rogers

Bridging the knowledge and culture gap is something Mr James Balog, vice chairman of Drexel Burnham Lambert, knows about Introduce someone from Iowa to some of Wall Street's more innova tive instruments, he says, and the likely response is: "Holy mackerel Ain't that immoral? Ain't it out-

For his Peking speech on How diversity meets borrower and lender needs, he plans to take a visual aid he has used for Americans; picture of plants revolving around the sun. Pure stocks and bonds are the sun and derivative instruments are the planets - starting with options and futures near the sun and working out to more esoteric ones such as ti gers, cats, yaks and sins.

"Til suggest they stick to the first couple of rings and try to avoid some of the nutty things we do."

Perhaps he should avoid also mentioning Drexel's speciality, junk bonds, lest his listeners believe he is offering to underwrite an expansion of the Chinese merchant

Rest assured, though, he knows how to size up his audience. He says he would never dream of talk ing Wall Street back home in west-ern Pennsylvania. "I'm not sure it would be an elevating experience for them."

Yet, for all the scepticism in the heartland about Wall Street's more dazzling acts, some 47m Americans own shares directly and another 130m have an direct interest through such things as pension funds – and life insurance policies.

But go back 10 years and that was not the case, points out Ms Martha Redfield Wallace, a former board member of the New York Stock Exchange. The phenomena rate at which members of the US public have become investors could be a lesson to the Chinese, she be-

In her symposium speech on the need for investor information and education, she plans to explain the role of security analysts, company reports, publications and other aids

This was apparent last May when Chinese vice-chairman Yao came to Wall Street, Mr John Phelan, Chairman of the NYSE, presented him with a miniature statute of the bull goring the bear (or the bear clawing the bull, if you dwell on downside

Turkey plans measures to liberalise its markets

BY DAVID BARCHARD AND ALAN FRIEDMAN IN ANKARA

THE TURKISH Government is expected to announce shortly a series of important measures designed to liberalise the country's embryonic financial markets. The initiatives being planned by the Government of Prime Minister Turgut Ozal include lifting the tight restraints on bank deposit interest rates, the inmarket and the setting up of a new

could go a long way toward nurtur-ing the kind of free market economy which Mr Ozal has been trying to develop since he took office at the end of 1983. They would supple-ment previous initiatives such as the launch of the Istanbul stockduction of Turkey's first formal interbank market last March and the insistence by the central bank on uniform accounting among commercial banks.

The second wave of liberalisation measures, which are expected to be

cent inflation level and a need for banks to recoup profits to cover huge had debts, is shackling corpo-rate growth and imposing a puni-

measures will be the launch of com-Turkey. A draft decree has been prepared and the approval of comobtain finance at a cost of roughly 30 per cent below bank lending rates. Officials involved in the plancree reckon the volume of company issues could reach as much as Tur-

amount for Turke At present the Government sets unveiled within the next two weeks, tic and foreign banks. Normal curcome at a time when many Turkish rent accounts pay only 10 per cent nomic growth

panies are paying as much as interest, while time deposits of up 70 - 80 per cent for bank loans. This to 12 months pay as much as 52 per high interest rate structure, which cent, the same interest as is paid on reflects the country's 30 - 35 per one-year Treasury bonds. When deone year Treasury bonds. When de-posit rates are allowed to float freely the rates are expected to jump initially, the long-term goal is to create a more competitive financial

securities market is designed to

The new liberalisation n which will probably be phased in gradually over a period of several months, come at a delicate momen for the Turkish economy, which is burden. The hope in Ankara government circles and in the Islanbu business community is that by nur-turing the growth of financial markets Turkey's private sector will be deposit rates for Turkey's 54 domes-tic and foreign banks. Normal curneeded to sustain the country's eco-

Plan to solve EEC cash crisis by splitting off farm spending

A PLAN to resolve the EEC's chron- change rate and the world price of of CAP price support cash for their

The proposal would seek to control the inexorable growth of agri-It also raises the possibility of the

farm budget burden falling most heavily on the member states and heavily on the member states and farm sectors most responsible - in sor Luigi Spaventa of Rome Unidefiance of EEC doctrine since the

drawn up by a group of independent financial experts under the auspices of the Centre for European Policy Studies in Brussels - with the support and assistance of the Their publication comes at a key

moment when the debate on the future financing of the Community is about to be relaunched by the Commission, facing imminent exhaustion of its current cash resources. Next year's Community budget is expected to absorb all the money within the ceiling on contributions from the member states, set only ast January at a notional 1.4 per cent rate of value-added tax. The ultimate shortfall depends on exter-

Concern over

'zero option'

Continued from Page 1

ment directly, however, on com-

plaints expressed last week by Gen Hans-Joachim Mack, West German

Deputy Supreme Allied Comman-

der in Europe, about US negotiating

Bernard Rogers, Nato Supreme Al-

lied Commander Europe. This will not endear General Rogers to a US Administration increasingly irritat-

ed at what it sees as Europe's two-

Mr Shultz said yesterday that the

US would pursue a separate agree-ment on intermediate nuclear

weapons at the arms talks in Gen-

Continued from Page 1

five years, especially in Japan. In the biggest European market, West

Germany, housewives are reported to be preparing to shift to the al-

Hazelnuts have not been without

their problems either. Several

weeks ago prices jumped in re-sponse to market talk that the

Turkish crop - which provides

three quarters of world supplies -

had been contaminated by radia-

tion from the Soviet Union's Chern-

As for peanuts, prices have sky rocketed as a result of a drought charing the planting season earlier this year in the south-eastern US.

obyl nuclear disaster.

mond's deadly rival, the hazelnut.

Nut price

rise bites

tactics at Reykjavik

West (Alaska).

faced attitude.

ic cash crisis by splitting the budget farm produce, beyond EEC control, into two self-contained parts - one "It is becoming increasingly clear for farm spending and one for other that the existing pattern of Co policies - is proposed in a report out nity policies is unsustainable within

sources," the report says.
It pins the blame for the "loss of cultural subsidies and insulate all control and budgetary inefficiency other spending plans, such as social squarely on the costs of the Com-and regional programmes, from its mon Agricultural Policy (CAP), in the form of price guarantees and other open-ended market-support measures for EEC farmers.

versity, and drawn from France, the Community was founded. Netherlands, the UK and West Ger-The far-reaching plans have been many, insist that their plan for "segmentation" of the budget would be "to better enforce budgetary discipline" rather than the opposi Both sides of the budget would be allocated their own limited reallocated their own

> to live within its means Overspending on the agricultural budget would have to be financed by additional resources raised from the same sector, they say, perhaps through an extension of co-fi-

nancing, or an emergency agricul-They admit that the plan would have unequal effects on the differnal factors such as the dollar ex-

They propose that the commit ment of the member states to greacentre and the poorer peripher should be met by more spending di-rectly through the regional fund in the "general budget" segment. This could be boosted by direct financial

terms of EEC orthodoxy is their proposal that some element of juste retour - the concept of member states getting out of the budge in proportion to the amount they put in - might apply to the agricul

The authors believe that such a system could provide a more perm-West Germany and France - of a member-state always paying in more than it gets back from Brus-

These problems have become a serious political obstacle to progress towards European integration." they declare.

The Future of Community Finance,

nave unequal effects on the different member states – in particular putting paid to any hopes the poorer Mediterranean states might have of getting an increasing share 1000 Brussels. Big Bang players act

out stressful script Continued from Page 1

after Big Bang.

But in the first two hours after the deadline several firms were still There is deep European ambivalence at the prospect of the zero op-tion being realised. The tentative struggling and becoming increasingly embarrassed by the splatter-ings of red text by their names on Reykjavik agreement was that each superpower would leave only 100 warheads facing each other in the the Seaq screens. This revealed to their competitors and clients all the Soviet Far East and in the US Far shares in which they were sup-posed to be making markets, but The comments by General Mack whose opening prices they were un-able to input because of failings in appeared to reflect the views of both Dr Manfred Worner, the German Defence Minister, and General

their computer systems. Scringeour-Vickers, a subsidiary of Citicorp, Wood Street Securities, owned by Hill Samuel, were probably the most common names to appear in electronic red ink. Warburg Securities had to tell its salesmen to stop generating orders from clients with such vigour as its computer system became overloaded. But Kit-

World Weather

on the screens of all stock market clean and admit on Seaq that its participants and will provide the basis for a shift to telephone dealing would be unable to input prices during the morning session.

The 878 brokers and fund managers who had been given scripts by the stock exchange showed unanticipated enthusiasm for buying and selling millions of pounds of imagi-nary stock which put further strain on the system. Some "investors" were suspected of going beyond the scripts, others of bundling together all their orders into the early morning session, so that they could take the rest of the day off. As a result, trading reached a peak of 17 transactions a second at around 10am, al-though it subsequently tailed off and the afternoon's trading was below expectations.

The second hurdle for the market-makers, after they had input their share prices on to Sea, was to adjust them, upwards if they were cat and Aitken, a subsidiary of the short of stock and wanted to attract Royal Bank of Canada, was the on-ly market-making firm to come too much.

The state of the s

Jaguar dispute, Page 6

HK group in

have had a cool response. Compa-nies and governments argue that the Soviet Union lacks any kind of track record in placing Western satellites into space - although the country has had considerable success in launching its own space hardware and some for the Indian

Using Jardine Matheson as an agent would, it is argued, lend cred-ibility to the Soviet case. It would

VW, MAN in talks on supplying trucks to Enasa

VOLKSWAGEN and MAN of West Germany are in talks about the sup ply of light trucks to Enasa, the state owned Pegaso vehicles group

The deal will probably be com pleted by the end of this year and it seems likely that Enasa will assem-

Mr Norman Kurtis, director of Enasa's international sales division confirms that discussions between the companies have been taking place but says: "It is a little too ear-

MAN Commercial Vehicles, says the talks are about the range of by his company and Volkswager.

If the deal is completed, it will give Enasa a wider range of modern ehicles to sell through its dealer

It would also provide a boost for the VW-MAN joint venture - designed to provide trucks to fill the gap between the top end of VW's commercial vehicle range and the bottom of MAN's - which has not

reach 15,000 a year, with 10,000 for export, but production has never been above 5,000. Last year the joint venture sold 3,700 vehicles. Mr ochte says the total should go

above 4,000 this year.
The MAN-VW venture marginally profitable and the two German groups have renegotiated their deal so that all production will take place at MAN's Salzgitter factory, near Hanover, whereas it has

plant in the past. Enasa is one of Western Europe's smaller producers of heavy trucks. Output this year will be about 6,500 heavy trucks and 4,000 vans and light trucks up to 4.5 tonnes gross

The Spanish Government has in the past two years attempted to sell the company, and there have been Motors of the US. Renault of France and Toyota of Japan, but

with no positive result. The Spanish authorities now seem to have come to the conchr sion that until Enasa returns to ny again it is unlikely to find a buyer or suitable partner for it.

Industry watchers point out that Volkswagen supplied technical knowhow and had cars built under icence by enother state-owned Spanish company, Seat, for two years before eventually taking over Seat this summer. They suggest a similar arrangement might be in the offing for Enasa.

Mr Kurtis says Enasa, which suf-fered losses of Pta 16bn (\$122m) last year, should break even at the operating level in 1987. The time take en to return to a net profit will depend on whether Enasa is given a capital injection as part of the fiveyear plan to be drawn up by the end

of this year. Two years ago the Spanish company signed an agreement with MAN for Enasa to make a Germandesigned city bus under licence. The first of these vehicles will go on

to the road later this year. Enasa also has a co-operative venture with DAF of the Netherlands to produce heavy-truck cabs

which will appear on Pegaso vehi-cles for the first time next year.

satellite talks

Continued from Page 1 would carry Western payloads into \$10m a satellite, using its Proton rockets. It has made a series of didon-based international body which operates satellites for marine com-

be another sign that the Soviet Union is keen to co-operate

A possible stumbling block to the Soviet plans is the attitude of the US Government. The State Department has said that, due to technolo gy transfer regulations, it would not allow the sophisticated US-made components that feature in virtually all Western satellites, to be THE LEX COLUMN

Low tide on **Dover beach**

vestment. On Eurotonnel's own pro-jections, a one-year delay and

Tunnel is one of those projects which the average City technician school exercise than in real life. After a gestation period of £200m overspend (only 4 per cent some 184 years, the task of raising above budget) would put back the rotunnel to the barsh moment of decision: glorified business game or genuine mega-project?

earnings - there cannot be any earnings for at least seven years af ter the initial capital is poured down a mineshaft in the Kentish cliffs - equity in Eurotunnel has to be sold on the basis of discounted rears. Who can do other than hope that the crucial assumptions - on factors like inflation and competitive pricing from the ferries - prove less porous than the Lower Chalk

Marl through which the tunnel has to be drilled? questions on which any prospective vestor ought to be satisfied before tumping up. Bearing in mind that in the early years shareholders' equity will be roughly 400 per cent geared, and producing no dividend,

do with the cost of construction. Although the contractors are subject can - any overrun in excess of 20 per cent falls squarely on the company. If inflation or geological dispoint, the equity starts to be squeezed and the debt to pile up. Moreover, cost overruns are like as

above budget) would put back the first dividend payment by four years, lift peak debt by £750m, frus-trate the planned securitisation of bank debt and drop the overall rate Impossible to sell on a multiple of of return to shareholders by a from the contractors, who are after all shareholders too, there is a parallel type of risk arising from the

debt finance package; floating at a margin over Libor, the funds that Eurotunnel hopes to employ have no upper limit to their cost, though Libor is wishfully assumed to run at 9 per cent throughout. Spiraling interest rates in the period before Eu-rotunnel has achieved its first operating cash flow would certainly drop the return, could easily defer the payment of a dividend - and at worst might precipitate a recon-

in the horrid thought that high in-flation might flatten Eurotumel in the construction period, only to be dispelled by a revival of sound money policies during the revenue gen-erating period. Inflation has only to fall to 4% per cent after 1983 and stay there for the shareholders overall return to drop by a full percentage point. The nightmare case - cost oversun, succeeded by low inflation, with maximum cor from the ferries - might well push

gions where investors countries risk/reward sums add up. Apart from these individual risk factors, there are problems which invariably afflict such very long-

Even a relatively mild case of this out any major dislocation to the sort would make a painful differproject, a histus in traffic growth or (stiffer immigration controls, per-haps) could be compounded over half a century into a substantially different result from that no

> The simple fact about Eurotime is that the very long "duration" of its paper must make it more risky (and in the ordinary sense more volatile) than more conventional in vestments with the same internal rate of return. The fact that there are no revenues or dividends at least until 1994 throws a heavier weight on what comes later. Since the subscribers to this week's placing have also to contend with the possibility that the Channel Treaty might not be ratified next year (as might happen if an early UK General Election delayed the necessary hybrid bill, now in select commit tee) they may wonder if the dis-count for early payment is suffi-

> the idea that the tunnel has reached this decisive point. It is probably resistant to crude safety propaganda about crackpots brewing tea over a gas flame in the claustrophobic space of a railway gondola. Eurotunnel can even claim that the cash flow model does generate a return under quite pur ing conditions - though perhaps not

Despite the unusual difficulties of selling a project that cannot pro-duce a substantial return until most of the promoters and investors are this week. But then, the question the ultimate beneficiaries is not an lived projects. The projections are issue in which senior fund manag-vulnerable to compounding error, ers of the present day can have issue in which senior fund manag-

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EBC Arnro Bank Limited

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Greenwell Montagu & Co.

Swiss Bank Corporation 99 Gresham Street London EC2P 2BR

October 20, 1986

A control of the property of the

Bow Bells House Bread Street London EC4M 9EL



SECTION II – COMPANIES AND MARKETS

FINANCIALTIMES

Monday October 20 1986



BankAmerica loss mounts to \$600m

BY WILLIAM HALL IN NEW YORK

ing group which announced a top nualised rate of net credit losses to management shakeup last week, average loans outstanding was 1.97 lost \$23m in its third quarter after per cent in the third quarter which crediting over \$120m of special was up on the 1.86 per cent in the gains on property and other asset second quarter.

at the close of the business day on ter the New York Stock Exchange had stopped trading. However, it appears that the latest loss, which boosts the nine months loss to boosts the nine months loss to period a year ago.

Mr A.W. Clausen, the former Mr A.W. Clausen, the former line with analysts' expectations.

There had been some fears on Wall Street that the new top management team would use the occaon to clean up the group's troubled loan portfolio by announcing further heavy writeoffs. However, the third-quarter loan loss provision of \$376m, is \$112m below last year's third-quarter provision, and far smaller than the second-quarter

provision of \$988m. Nevertheless, the latest figures show that the group's credit losses are continuing at a higher than anticipated rate and its now-performing loans of \$4.5bn show little sign of declining while common stockholders' equity has shrunk by close to a fifth over the last year and now

latest quarter were \$67m below the say that it is more likely to be worth comparable figure of last year but slot \$14 to \$16 a share.

BANKAMERICA Corporation, the financially ailing West Cost bank- 1986 credit losses of \$388m. The am-

The group said that while the pri-BankAmerica released its results many contributors to net credit the close of the business day on losses during the current quarter the West Coast last Friday long af-ter the New York Stock Exchange and industrial sectors, foreign net credit losses were down significantly when compared with the same

> president of the World Bank who has been recalled to resume the helm of the banking company he Bank in 1980, BankAmerica earned

BankAmerica shares ended the week at \$14 and Wall Street analysts believe that the group will soon announce the rejection of an unsolicited \$2.8bn takeover offer from First Interstate Bankcorpora-tion of Los Angeles. First Interstate values its offer for BankAmerica at Net credit losses of \$403m in the \$18 a share but Wall Street analysts

AMR in record quarter

in the quarter.

BY DAVID BLACKWELL IN NEW YORK AMR, parent company of American Total turnover was flat at \$1.55br

Airlines, second largest carrier in the US, boosted third-quarter earnings to a record \$111.7m or \$1.83 a share from \$67.3m or \$1.45 a share

Mr Robert Crandall, chairman and president, said the group was pre-tax gains of \$60.3m from the "very pleased" with the outcome for sale of Flagship International and the quarter. The decline in reveAMR Energy as well as AMR Trainnues per passenger mile was more
than offset by the increase in passenger traffic.

AMR Energy as well as AMR Training. Nevertheless, nine-month earnthan offset by the increase in passenger traffic.

She ut ringsing international and
the quarter. The decline in reveAMR Energy as well as AMR Training. Nevertheless, nine-month earnthan offset by the increase in passenger traffic.

once led, said that his number one goal was to return the group to prof-itability. When he left for the World

Last year the group lost \$337m and analysts expect it to lose well over \$500m this year even if it re-turns to profitability in the current

Nine-month figures include total

Viacom agrees to \$2.9bn buyout

By Our New York Staff

VIACOM International the US broadcasting and cable TV group which has been the subject of frequent takeover speculation, has agreed to a \$2.9bn management

Viacom International announce late on Friday that it had entered into a definitive merger agreement providing for the company to be acquired in a leveraged buy-out transaction by a new corporation.

The corporation is to be owned by mbers of the senior management of Viacom and the financial advisers to the buyout group -Donaldson, Lufkin & Jenrette, Drexel Burnham Lambert and First Boston - as well as the Equitable Life Assurance Society of the US and certain other investors.

Under the agreement, Viacom shareholders will receive for each share \$37 in cash, a fraction of a share of an exchangeable preferred stock valued at \$7, and 20 per gent of the equity of the new corr Viacom's management launched its first buy-out bid on September 16. but this offer of \$37 per share in cash and \$3.50 of paper, was rejected by the Viacom board along with

,		EUROMAI Tur	MKET TO nover (6		R
	Pristage	y Merket Straights	Com	FRM	Other
1	US\$ Prev Other Prev	2,331.9 2,272.5 1,326.2 1,200,4	339.3 11.3 1.2	1,784.3 3,348.7 10.8 959.5	2,403.0 2,963.1 303.2 182.3
2		dary Market 22,663.6 24,067.0	1,178.5 1,271.9	16,468.7 12,437.9	4,570.4 4,930.1
1	Other Prev	12,919.3 11,538.8 Cedel	84.1	4,765.3 8,023.7	5,030.9 4,410.5 Total
1	US\$ Prov Other Prov	15,165.5 15,702.1 11,290.3 11,062.0	36,6 34,6 12,2	52.1 21.8 32.3	51,817.7 50,323.7 23,521.6 26,399.3

Selective trend towards non-dollar bonds

bonds are hot in pursuit of opportu- highly selective about new issues. sectors of the Enrobond market as sue for Austrian bank Creditan-investors continue to shun dollar stalt, for instance, slipped quickly to

Recently issuing houses have unenting been lighting on the high-yielding for Clivetti, although a fairly-priced Australian and Canadian dollar deal for Eastman Kodak traded markets, which provide investors with an attractive pick-up in yield over US dollar bonds. But the problem with these mi-

or, retail investor dominated markets is that issuing windows tend to close as quickly as they open. Issues for most borrowers hinge

on swap opportunities, so it is often mpossible to prevent an oversupply of new deals. And swap opportunities need not coincide with strong

For instance, there has been a revival of issues in the Canadian dol-lar sector in recent weeks, although deal for Hamburgische Landesbank alers say investor interest in this sector is waning rather than grow- investors, but by the end of the ing, because of concerns about the week syndicate managers were Canadian economy. driven to issuing zero-coupon bonds

nities for borrowers in the currency Last week's 9% per cent five-year isbonds, writes Clare Pearson in Lon- potentially loss making discounts to issue price. Investors were equally menthusiastic about a new issue

> The Australian dollar sector has also seen an upsurge in new issuing activity. This market has been conscing since a sharp fallout during the summer when the Australian dollar plummeted on the foreign exchanges. Recently, Continental Australian dollar bonds which offer temptingly high yields of around 14

But now new issue ma met strong demand from German sector was drying up. For volume of issues and ease of timing borrowers must turn back to

the dollar market, but this route was looking extremely hazardous Conditions ranged from the tough

to the chaotic, reaching a low point on Wednesday morning when dealers sold almost a third of one \$300m offering just because they spotted it was yet another aggressively priced deal for Denmark. The wave of selling followed the first announcement of the issue on

the screen, and the dealers sold bonds they were never to own. This enabled Morgan Stanley International to carry out a severe "short squeeze" later. This is the practice of a lead-manager forcing alers who have sold a deal short to buy bonds back at a beavy loss. Those who suffered from Morgan Stanley's revenge tactics were smarting last week, but most of the market supported Morgan Stanley

in the move.

are becoming harder to sell. With the fixed rate market in

such a sorry state, the European Investment Bank, which in normal market circumstances would issue there, chose the floating rate note market last week.
But this provided the EIB with

month, investors have failed to return to the market in size as they see little immediate prospect of capital gain. The only bonds that can be sold at the moment, dealers say, are those that provide a funding profit by paying interest at levels above London interbank offered

But the EIB's issue was priced point fees. slightly more expensively than the In the S recent floating rate note for the United Kingdom, with a sub-London

tion, especially as new dollar bonds seemed foolhardy, and the issue traded consistently at discounts outside the level of its 20 basis point total fees. It was quoted on Friday

afternoon at 99.61 on the bid side. Trading in the D-Mark market was very thin last week, as investors' hopes of a cut in the West Ger-But this provided the EIB with man discount rate diminished cold comfort. After a shakeout last Prices of longer-dated bonds fell by

as much as 3 points on the week. In this environment only one lead-manager, WestLB, ventured to launch a new deal. This was a DM 125m 10-year bond for the Finnish quoted by the lead-manager on Fri day at a discount to issue price of 3% points, outside the level of its 2%

In the Swiss franc market prices were unchanged on the week in rea-sonable volume. Although equityinterbank bid rate comon. related bonds for Japanese borrow-Even in a healthier market deal-ers are now out of fashion with iners said this would have been ambi-vestors, bonds for well-known cornarket supported Morgan Stanley tious for a borrower previously unporates are attracting demand. A known to FRN investors as it new deal for Philip Morris met lacked a precedent to justify the strong demand.

Soviet Foreign Trade Bank wins fine terms on deal

\$300m, eight-year credit bearing terms finer than any yet seen on a major deal for a Soviet corrower, writes Peter Montagnon

Although this was still not officially confirmed at the weekend, bankers believe that the credit has been mandated to Banque Nationale de Paris on terms that will include an initial margin over London Eurocurrency rates of % per cent rising later to %. This is the first time that an element of 1/4 has crept into the margin structure on a large-scale Soviet borrowing.
Falling oil prices and the after-

math of the Chernobyl nuclear disaster in April have forced the Soviet Union to step up its borrowing abroad, but the terms of this deal suggest there is still demand in banking markets for traditional So-

The decision by the Soviet Union regime in Poland. Despite the abortive talks on arms control at the restanding bond claims with the UK THE SOVIET Foreign Trade Bank The decision by the Soviet Union is coming back to the Euromarket earlier this summer to settle outstanding bond claims with the UK led to expectations it might seek to diversify its borrowing programme into bonds and other securitised inents. In August the Foreign Trade Bank participated as an undecwriter in a Y15bn Eurobond for the Nordic Investment Bank, fuelling speculation that it was prepar-

ing to launch a bond issue However, this latest deal marks a clear continuation of the conventional Eurocredit borrowing for which the Soviet Union is traditionally known. Despite its fine terms it ms likely to be well received in the marketplace given the general

shortage of high quality loan assets. to see whether US institutions participate in this credit. Many have steered clear of such deals since the Soviet occupation of Afghanistan and the establishment of a military for India's Oil and Natural Gas

considerations are now regarded as water under the bridge, and one or more US banks which have previously been reluctant may participate in this deal.

However, a decision on participation may now involve more technical than political consideration. A main concern of many US banks these days is to sell on in the secondary market any loan assets they acquire. The potential for such sales at a time when margins are hitting new lows is hard to gange and for that reason one market view was that US banks may prefer to wait until pricing on Soviet loans has stabilised.

A feature of the market at the moment is that even the finest prices transactions are meeting strong demand. The \$500m credit

\$100m credit for Italy's IMI credit

The deal carries a 10 basis point ungramme. derwriting fee and a maximum New Eurocommercial paper promargin on drawings of 15 basis grammes include an unlimited one

\$575m even before general syndication begins. An First Chicago's programme for Japan's Saitama programme for Japan's Saitama Bank has been increased to \$1.5bn agency has also been oversub-scribed despite its record low mar-last week's launch of a \$150m certiins. ficate of deposit programme for Among new deals last week Ham-Berliner, Bank, Shearson Lehman merson, the UK property company, has brought another German instilaunched a £100m, eight-year loan tution, Bank für Gemeinwirtschaft, facility through Business Mahon. to the CD market for a \$100m pro-

points plus the cost of reserve as- for UK retailer Asda-NFI for which County NatWest and Morgan Gren-Arizona Public Services has ar- fell are dealers ar well as a \$50m ranged a 5225m, two tranche term programme launched through Bank loan through Credit Suisse First of America for International Signal Boston. One \$125m five-year and Control Group. This is backed tranche carries a margin of 2 per up by a standby credit carrying a cent over Libor or % per cent over facility fee of 17% basis points and a standard of 20 basis points and a standard of 20 basis points. certificate of deposit rates. The other is a \$100m, thre-year portion carrying a margin over Libor of % per also be a dealer on the commercial



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New Issue • October 30, 1986

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Black to buy 34 newspapers

BY BERNARD SIMON IN TORONTO

enlarge his North American publas bought a Los Angeles-based lishing interests through the purchase by the Toronto-based Holling
Denison Mines, the Torontoer group of 34 daily and weekly papers in the US and Canada.

(US\$93.5m) for the papers.
The 21 US titles, published in small communities in New York,

Pennsylvania, Ohio, Indiana and Illinois, were previously family-owned businesses.

Hollinger bought the Canadian papers from Sterling Newspapers, another of Mr Black's ventures. Hollinger said that an independent quorum of its board of directors not proved the purchase. Sterling's pa-pers are published in the provinces of British Columbia. Saskatchewan and Prince Edward Island.

Many of the papers bought by North American newspaper business is prompted by the fact that the papers "have been historically high margin, reliable, uncyclical and, to a significant extent, insulating quarterly dividend last May for ed from the vagaries of the local

Hollinger has been transformed per cent interest in the big Quin-in the past year from a mostly re-tette coal mine in north-east British sources and merchandising holding

MR CONRAD BLACK, the Canadian financier who controls Britain's Daily Telegraph newspaper, is to interest in the Daily Telegraph, it

based resources and industrial group, saw lower oil prices reduce Hollinger, which is controlled by net income to C\$4.5m (US\$3.2m) in Mr Black, will pay C\$130m the three months to September 30, from C\$19.1m a year earlier. After providing for preferred dividend, the company suffered a loss of 7 cents a share, compared to a 28 cent

per share profit last year. Trading in Denison shares was halted on the Toronto Stock Exchange last Friday pending news of the sale of its major industrial interests. A 54 per cent stake in Lake Ontario Cement, a leading cement associated with Sterling had an and concrete producer in central proved the purchase. Sterling's pa-Denison said earlier this month that talks were under way with a prospective buyer. Further details

are expected today. Hollinger enjoy a monopoly in their circulation areas. According to Mr Black, Hollinger's entry into the reflecting lower oil prices. Nine months earnings dropped from C\$50.8m to C\$15m.

the first time in 27 years. The company has written off its entire 50

Lockheed lifts earnings for first nine months

BY OUR NEW YORK STAFF

the third quarter and the first nine months on the back of improved profits from government contracts the company said. The improve in its major business sectors.

\$1.5m or \$1.74 a share from \$102m est expense resulting from higher or \$1.54 a share, with increased revenues of \$2.61bn against \$2.46bn.

The group said its funded backlog

LOCKHEED, the US aerospace ics systems sector took in \$103m of group, lifted net earnings for both sales over two months from Sanders Associates, a defence electronics company acquired in August its major business sectors. ment in earnings for the quarter Earnings for the quarter grew to was partly offset by increased inter-

For the nine months earnings of orders at September 28 stood at advanced to \$298m or \$4.51 a share \$8.9bn, compared with \$9bn last from \$273m or \$4.14 a share last time. This figure did not include untime. Revenues were \$7.41bn, funded programmes under contract against \$3.5bn last time. with the US and foreign govern-The missiles, space and electron-ments valued at \$9.3bn.

loses \$26m in

By Our New York Staff

quarter

CATERPILLAR, the world's largest maker of earthmoving equip-ment, plunged into the red for the third quarter, although it maintained its sales level at

The group blamed a loss of \$26m on the effects of the weaker dollar, manufacturing inefficien-cies related to reduced produc-tion schedules, the 28-day strike at its Joliet, Illinois, plant, and new US labour contracts.

The delicit compares with profits in the 1985 third quarter of \$131m or \$1.33 a share. This figure includes a \$60m gain from the sale of a subsidiary and a from the consolidation of manu facturing operations at two

Caterpillar said the strike had reduced sales for the quarter by \$30m. It expects the shortfull to be recovered in the final quarter.

The group warned in July that
prefits in the second half would
be lower than first-half earnings

because of lower sales volume, a reduction in Life inventory benefits, a decline in currency ex-change gains and higher US la-bour costs.

US oil group expects deficit

By Our New York Staff

DIAMOND Shamrock, the integrated US oil company, expects to report a loss of about \$95m in the third quarter. In the year-ago quarter, the group earned \$52.8m or 40 cents a share on revenues of \$1.1hm.

Included in the expected loss will be write-downs related to domestic off and gas leases and a net gain from the sale of the group's chemical operations. The gain will be offset by the esta-blishment of a reserve for possi-ble chemical related environ-mental liabilities.

Separately, Diamond Sham-rock ended negotiations to sell its coal operations to Arch Min-

Caterpillar W.R. Grace falls in third quarter

BY DAVID BLACKWELL IN NEW YORK

natural resources group, suffered the fertiliser and petroleum sectors an 82 per cent decline in net earn-recorded losses. ings to \$4.3m or 10 cents a share in Revenues for the quarter edged 47 cents last time.

The latest figure includes a loss from discontinued operations of Nine-month earnings fell by 14

The group said its core special chemical business and its general business group operations, which include cocoa products and book distribution, posted gains of 35 per cent and 42 per cent respectively in

These improvements were generally attributable to continued strength in the US, and significantly higher international results, the group said. But the restaurant sec-

W.R. GRACE, the chemicals and tor was only near break-even and

the third quarter, against \$24.8m or ahead to \$1.32bn from \$1.25bn, and for the nine months to \$3.99bn from

> per cent from \$102.2m to \$87.6m. At the per share level earnings improved from \$1.96 to \$2.06, reflecting a lower number of shares outstanding.
> The latest nine-month figure in-

> chides \$83m from the disposal of discontinued retail operations, and the previous year includes a similar

Saint Gobain returns to profit in half-year

nances, returned to profit in the

In improvement in profitability
January-June period for the first reflects both the winding down of

SAINT GOBAIN, the French state- FFr 321m. It still expects end of owned glass and engineering group, amnounced over the weekend that Consolidated sales rose to FFr its French operations which ac-count for about half of group sales on a comparable structure the in-and have long been a drain on its fi-crease was of 10 per cant.

the group's beavy rationalisation Giving full details of its first-half performance, the group — which will be the first state-owned company to be privatised — said that net consolidated profits had more than doubled to FFr 648m (\$100m) from a first-half performance in 1085 of the countries in the constraint of the countries in first-half performance in 1985 of which it operates - including Italy

Credit Suisse optimistic

third quarter and expects "a good

Last year, net profits had risen from SFr 100 to SFr 106 per bearer share and from SFr 20 to SFr 21.20 per registered share. Suisse's bala
The volume of business is stated 8.4 per cent.

CREDIT SUISSE reports favour- to have "expanded considerably able earnings performance in the again" in the past quarter. The de cline of the dollar once more had a result" for 1986 as a whole, despite a significant influence on balance-slowdown in securities business sheet total and earnings but the bal-and narrower interest margins. SFr 3.1bn over the midyear figure by 21 per cent to a record SFr 507m to a new high of SFr 96.1hn, this re-(\$313m) and dividends increased sulting almost entirely from in-

Since the start of this year, Crédit Suisse's balance sheet has risen by

NEW INTERNATIONAL BOND ISSUES					SUE\$:	
Bonéwers	Amount III.	Maturity	Av. Efe years	Coupen 4/e	Price	Book Burear	Offer yield
ILS. BOILARS							
Tokai Bank St	188	2891	15	27/2	196		2.38
Shinakawa Fuel ¶1	. 40	1921	5	374	180 180	Tamaichi lut. (Eur.) Daisee Eur.	3.75i 3.75i
Hokkei Can ¶‡	40	1951	5	374 374	180	Mikin Sect. (Europe)	3.75
Nippen Paint 111	58	1991	<u> 5</u>	3/16 3/16	180	Merusa Stanley	*
Christiania Bank (s)†‡ Norsie Inv. Bank ‡	200 189	Perp. 1991	5	7''	108%	UBS (Sect)	F.90
Banco di (Supoli 11	158	1991	5	(h)	180.15	Benkers Trust lut.	•
Basco Exterior let. 11	298	2681	15	(b)	100	Chese Manketten Sheurson Lebesen Bros.	•
First Union Corp. (e) †‡	150	1996	10	% 7%	100 101%	Morpey Starley	5.34
Denmark (d)‡	3 0 0 58	1991 1991	5 5	(374)	108	Nikko Secs. (Europa)	
- Suzuki Motor Co. ¶ Morgan Guaranty I	188	1991	š	744	100%	Morgan Gueranty	7.98
Shourson Lehman Bres. (e) † †	500	1991	5	1/16	188	Shearson Linner Bres.	•
Yeards Trest & Bing 5	108	2081	15	(23%)	100	Yasuda Trast Europa	•
EB †† Holdaido Bes. Perer †	386	1596	10	(f) 276	199 1817/a	Samuel Mantage Yamaichi Int. (Eur)	7.81
	89	1993	7 5	81/2 (33/4)	10175	Yamaichi Jat. (Est)	/ . B id
Komeri Printing 7	50 158	1991 1991	5	744	199%	Margan Gamasty	7.83
Credit Mational ‡ City of Views ‡	75	1996	1Õ	8	181%	Daines Europe	7.75
CANADIAN DOLLARS		4-44		5%	101	Orion Beyel Bank	1.38
Crediterstalt-Bluerein ‡	75 50	1991 1989	5 3	9%	19174	Morgan Guaranty	9.25
Ensteure Kodek ‡ Olivetsi let. 1	50 58	1990 1990	Ž	97/2	1811/2	Morgan Guaranty	3.40
AUSTRALIAN BOLLARS			-	141/2	1911/4	Orion Royal Bank	13.867
Hambergische Landestik ‡	38	19#9 19#9	3 3	14%	10174	SecPas Hears Govett	14.21
Sec. Pacific A'train ‡ SMAC Australia ‡	50 75	1991	5	8	54	Orion Rayel Benk	13.115
Sth A'trails Govt. Fin. 1	164	1991	5	Ō	52%	Hambros Bank	13.70
Sencu Comm. Italiano I	40	1969	3	143/4	10174	BoA int.	14,210
	<u> </u>				-		
D-MARKS Seaton Volum ‡	·125	1996	18	6%	98 1/2	WestLB	8,444
SWISS FRANCS							
Int. Hydro Corp. 5	30max	1994	-	(5%)	(188)	Bee Gutzwiller, K. B.	
Yuesa Battery 11	50	1981	-	21/4	100	. SEC	2,250 2,250
Dulcol Chemical 11 Solitori Chemical **§	108	1991	-	2% (1%)	109	urs urs	2,200
Prima Most Packers ** 9	120 • 50	1992 1991	Ξ	(24)	108	188S	. •
Toyo Real Estate **	30	1991	_	47/2	189	Handelshenk	4,875
Dahma House Ind. ***	180	1981	-	(234)	•	UBŠ	
Sakate Shekai **¶	30	1991	_	(274)	:	UBS	
Ce-Op'	150	1998	-	(514)	_	Swiss Volksbank Bigo Guaragty (Switz)	4.750
Philip Monts ‡ Province of Onebac ‡	156 125	1996 1996	_	43/4 43/2	180 180%	GB2 milit convent (court)	4,847
Province of Onebec 1	125	2806	=	514	1881/2	UBS	5.201
GUILDERS .						_	_
Secoli Meter Co. 7	198	1981	5	{1%}	108	Anre	6.058
Mort. Bk & Fin.Ag. (B'mork) ***	158	1991		<u> </u>	99%	Ann	9,902
LIDENBORG FRANCS							
Amn †	686	1993	7	7	188%	89.	6,954
Misson Uran ***	396	1992	5.Š	7%	1904	Kradiethank fot.	7.554
100P **1	388 ·	1882	8	7%	196	BSL	7.376
Snion Bk Fisherd **‡	380 240	1992	6	7% 7%	196	Bil. Bge Paribas List.	7.375 7.425
Bergen Bank Asia **‡	390	1990		7½	10074	wh comes in-	·
ECUs							
EB t	· 125	1593	.7	7% E14	181	Basik of Tukyo Int. Bill.	7,561 5,500
BIL 11	30	1996	<u> 18</u>	5½ 	108	_ 	
STERLING		2000		10161		Poch	
BET 5		2801	15	(61/2)	199	<u> </u>	<u>_</u>
YEN		•					
Herniett-Packard Rt	15km	1991	5	8	10156	Homere Int.	7.597
Bunkers Trest III	19be 45be	1991	5	7	181%	Flexuora int.	6.548
Morgan Gueranty 11 Borg-Warner 1	15bn 1 8 ba	1991 1991	5 5 ·	(9) (4)	181 1817:	Novera Est. Novera int.	_
+	,		•	7-1	174		_
							

" Not yet priced. ‡ Final terms. "" Private piacoment. § Convertible. † Floating rate note. ¶ With equity warrants. Ø With bond warrants. If Corners Smither. (a) ½16 over Smither. (b) ½16 over Smither. (c) ½16 over Smither. (d) Convertible into FRM paying Smithid. (e) ½16 over 3m Liber. (f) 18bp notes Smithid. (g) Years 1—2 pays 0,1 × product of Sm Yee Liber+12½2bp, years 3—5 pays Sm yee Liber+215bp.
(h) First year, no coupus; Years 2—5 744%. Note: Yields are calculated on AUS basis.

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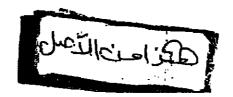
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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

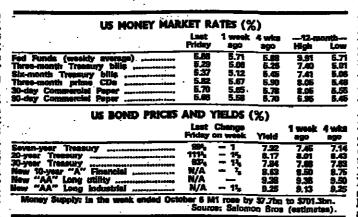
Hopes fade for early rally in bond prices

HOPES or another cut in the US discount rate rise and fall with the regularity of the tides in New York harbour, and last week it was clear that the tide of opinion favouring an early cut in official US interest rates

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was ebbing fast.
For the second week US bond prices lost ground and Smith Barney says in its latest credit market comment that "time is running out for a near-term rally in the fixed income market." Mr Bob Brusca of Nikko Securities, who has been more bearish than most for some months, now believes that some months, now believes that his earlier year-end forecast for long-term US government bond yields of between 8 and 8½ per cent may be on the low side.

The yield on US government long bonds rose close to 20 basis points last week and control of 25% and 125% and points last week and at 7.84 per cent is at its highest level in a month. In the foreign ex-change markets the dollar



remained fairly stable against past fortnight have seemed to be unleashed." paised to drop below 5 per cent, edged higher and six-month US treasury bill rates rose by around 25 basis points. the Japanese yen but drifted lower against most European currencies and by the end of the week was being quoted at DM 1.9740. Short-term US interest rates, which over the

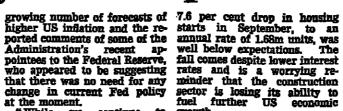
pointees to the Federal Reserve, change in current Fed policy at the moment.

at the moment.

"While we continue to believe that the Bank of Japan will cut its discount rate before year-end, we are not as confident that the Fed will follow through," says Smith Barney.

Mr Sam Kahan of Kleinwort Benson Government Securities says: "The US financial markets can best be characterised as currently concerned that inflationary pressures are about

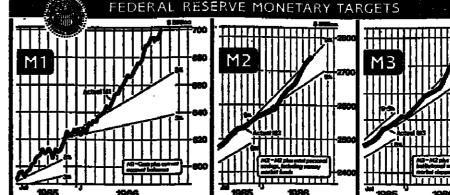
Although the 4.6 per cent fump in US retail sales last month and the 0.1 per cent rise in industrial production were Sentiment during the past modestly stronger than ex-week has been affected by a pected, last Friday's news of a



A \$7.7bn rise in last week's M1 US money supply figures, plus a slightly higher than expected \$24.8bn rise in M3 last month, have added to the credit market's concern that the Fed may already be fuelling inflation by being over accommoda-

Nevertheless, last week's news provided little support for the credit market fears that the economy is about to accelerate. The market's pessimistic mood appears to have been fuelled by a combination of worries ranging from fears of a further sharp decline in the value of the dollar, and the prospect of rising oil prices, to the November 4 congressional elections and the guarantees and the congressional elections. and the quarterly re-funding package scheduled to come to the market in the same week.

The size of the quarterly auctions is due to be announced on October 29, and Smith Barney notes that as the date approaches



the probability of a near-term "the probability of a near-term return to a 7½ per cent or lower issue of securities backed by long bond yield becomes General Motors car loans, smaller." Indeed, Aubrey G. known as asset-backed obliga-Lanston blames much of last tions (Abos). The triple-A rated week's drop in bond prices on the estimated \$26.5bn of new 75 basis points above compartreasury financings which will able Treasury notes. The biggest tranche of just over \$2bn of notes due October 1988, with over the next two weeks.

The increasingly pessimistic mood in the government bond mood in the government bond market over the last couple of weeks has spilled over into the corporate bond market and most issuers have retreated to the sidelines until the interest rate outlook is clearer. Among the

tions (Abos). The triple-A rated securities were priced around 75 basis points above comparable Treasury notes. The biggest tranche of just over \$2bn of notes due October 1988, with an average life of just over one year, carried a 64 per cent coupon and was priced at par, giving an effective yield of 6.3 per cent on a semi-annualised basis.

This week, the big economic This week, the big economic news for the US credit markets few names coming to market, Fireman's Fund raised \$150m with a 30-year debenture priced 175 basis points above the comparable Treasury issue.

The other event of the week was the pricing of First vear-end money problems. The

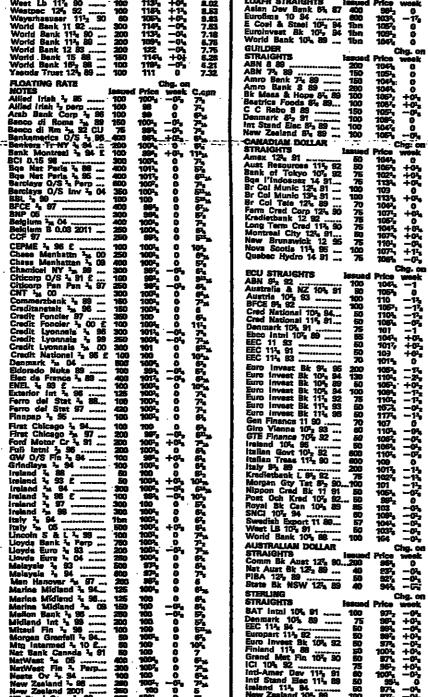
Boston's record-breaking \$4bn best guess is that the figures issue of securities backed by will show a rise of between 2.5 General Motors car loans, per cent and 3 per cent, compared with the second quarter's

> Other key figures this week are the September consumer price statistics and the latest durable goods orders, both due on Thursday. US prices are expected to have risen by around 0.3 per cent and durable goods orders should be up by between 1.5 and 2 per cent.

Most analysts are still expect-ing US interest rates to decline but, as Kleinwort Benson Government Securities says in the latest market comment, "beits latest market comment, "be-cause of market pessimism, favourable yield developments may not occur quickly."

William Hall





5.89 · 7.05

WARRANTE: Equity warrant premise premium over Bond warrant ex yid-exercise yield at current warrant pr

Cold comfort from the Chancellor

answers which the gilt-edged market bodly needed, the Man-sion House speech last Thurs-day by Mr Nigel Lawson, Chancellor of the Exchequer, has left traders with another set of questions.

Will interest rates go up again and when? When will sterling join the European Monetary System if at all? What does a rise in MO to just above the middle of its target range say about indication that range say about inflation that sterling M3 growth now running at around 20 per cent does not?

The market's snap answer was to sell gilts off by one point on Friday and there could be more losses this week with sterling looking decidedly vul-nerable and the London money market already pushing for another rise in base rates. The Chancellor made it clear

that 11 per cent base rates were enough to cut out the infla-tionary dangers of the fall in the exchange rate and intimated

But what does the Chancehor say if the markets do just that? By his own logic, interest rates would then need to be raised again to compensate for the latest fall in the exchange rate.

Moreover, who is to say when interest rates are too high. At 10 per cent they were obviously not high enough to stop speculation against sterling and to avoid an upsurge in inflation. At 11 per cent, the Chancellor believes both these problems will be solved but financial markets are not so sure.

Mr Lawson and the Governor of the Bank of England do not even appear to be in complete agreement. Mr Robin Leigh Pemberton said the fall in the exchange rate had been fully sufficient to effect the necessary current account adjustment to lower oil prices. Mr Lawson, avoiding being specific, referred only to clear limits to sterling's fall.

the exchange rate and intimated. The Governor said liquidity, said prices were unlikely to turn he would be very cross if and credit had been growing up until the market knew for foreign exchange dealers peruncomfortably fast, but the sure where the bottom of the sisted in the affliction of "short- Chancellor said credit and the market was.

termism" and continued to sell surge in broad money had not sterling. been reasons behind his But what does the Chancellor decision to raise borrowing costs. Mr Lawson had two chances to respond to the crisis on the foreign exchanges and managed to fluff it both times in the judgment of the City. On each occasion, he successfully avoided mention of the issues

which markets regarded as key to rebuilding confidence. Speaking to the Conservative Party conference at Bournemonth, he ignored the troubles with sterling on the foreign exchanges and at the Mansion House he research of comfort in the form a crumb of comfort in the form of a hint about EMS membership for the pound.

ship for the pound.

Until the current uncertainty about sterling and an appropriate level for interest rates is resolved, the gilt market is unlikely to make much headway.

One gilts economist said that the only bullish factor in the current market is that it has fallen too far already. But he fallen too far already. But he

The yield on Treasury stock 11½ per cent 2003/07 ended a confused week on Friday at 10.78 per cent, well above last Monday's level of 10.46 per cent. It is now only about a 14 point price drop away from the substantial 11 per cent yield barrier and some traders see a test of this level this

The consensus view seems to be shat only a 12 per cent base rate would provide a floor for a bounce in prices while the market is in current mood on the argument that sterling is unlikely to stabilise without another rise in interest rates. But the Chancellor may find some help this week from two sets of economic data. He hinted strongly in his speech on Thursday that September's UK current account and trade figures would prove August's record deficits to have been highly erratic. If the market is looking for an excuse to pick up stock at cheap levels, improved September data could

Janet Bush

This announcement appears as a matter of record only

October 1986

£200,000,000

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AE decision on Panel ruling

BY CHARLES BATCHELOR

today whether to appear against
a Takeover Panel ruling allowing Turner to bid again.
In a ruling delivered to the
companies and their advisers

companies and their advisers on Friday—though not yet made public — the panel criticised Hill Samuel, the merchant bank, and Cazenove, the brokers acting for AE, for failing to disclose purchases made on AE's behalf.

The purchases, of a total of 7.2m shares—7.2 per cent of the company were sufficient to tip the balance against Turner

tip the balance against Turner

Dixons buys

Dixons Group has acquired the SupaSnapS operation of 344 high street photographic, devel-oping and processing shops— and three film processing

and three film processing laboratories in Glasgow, North-

laboratories in Glasgow, North-ampton and Reading — from Gratispool International Hold-ings. Estimated cost was £4m. Mr Stanley Kalms, Dixons' chairman, said the SupaSnapS brand is one of the best in the industry and will be developed and fine-tuned in line with Dixons' proven retailing and marketing principles.

marketing principles.

The outlets will be developed around a new retail concept for photography

SupaSnapS

The controversy concern two large blocks of shares in AE—a 4.9 per cept holding bought by Midland Bank and a 2.3 per cept stake which was taken up by discretionary clients of Hill Samuel's investment management.

indemnity guaranteeing it against a loss of up to 40p per

votes.

The purchase of the shares was not in itself against the panel that its own view and that of its legal advisers should have been disrlosed during the course of the bid.

The purchase of the shares the panel that its own view and that of its legal advisers should have been disrlosed during the course of the bid.

However, the purchase of the shares were not associates of AE. not necessary since the huyers were not associates of AE. However, the panel took the view that the indemnities turned them into associates.

Hill Samuel said that the sale of these shares—and of a further 3.3 per cers bought by other parties—would not have ment arm.

Hill Samuel gave Midland an been made so openly if it had been its intention to deceive. It was the placing of a large block of AE shares, at a loss, share while its investment arm after the failure of the bld

AE, the motor components which failed to gain control of group which last month fought off a £257m takeover bid from today whether to appeal against today whether to appeal against and the control of the shares today whether to appeal against the shares to the panel that its own view as not in itself against the and that of its legal advisors and the control of the panel, and the city, to the existence of previously undisclosed the panel that its own view that of its legal advisors and the control of the city, to the existence of previously undisclosed.

If a panel that its own view that of its legal advisors and that of its legal advisors and the control of the city, to the existence of previously undisclosed.

If a panel that its own view that of its legal advisors and that of its legal advisors and the city to the existence of previously undisclosed. If Sir John Collyear, AE chairman, and his board decide today to appeal against the panel ruling freeing Turner to bid again their case is expected to be heard later this week by th "full" panel

to be heard later this week by th "full" panel.

Sir Francis Tombs, Turner chairman, said yesterday: "The logic of the bid has not changed. We clearly still want = do it at some stage. We would have to make a judgment be ad on the terms of the panel ruling and the state of the stock marker."

Comprehensive

vices, which came to the USM in 1984, more than doubled its half-year pre-tax profits from £97,000 last time to £213,000 to June 30 1986.

Mr Oliver Stanley, chief executive, said that the success of the group reflected in particular the continued success of CFS (Investment Management), the discretionary and management are of the

profit doubled

Global expands 21%

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October 1986

ending May 31 1986.

Group turnover moved ahead from £26.6m to £34.8m
There is a final dividend of 1.75p (1.25p) giving a total of 2.75p (2.25p).

The directors said that the group's import and domestic business continued to provide encouraging results and added that specific efforts made had resulted in a considerable initial success in the marketing of substantial volumes of poultry.

The directors confirmed that

(The Netherlands) N.V.

The Global Group, the meat they expected these volumes to and meat products concern, be maintained and were curreported pre-tax profits up by more than 21 per cent from sole agency contract with their 2312,000 to £379,000 in the year supplier. A further success in the profits agency contract with their success. the poultry area came from the group's new regional sales office in Cardiff, which proved to be ahead of target.

The group's marketing tactics were responsible for the im-proved performance of its Barfrestone Cottage Delicat-essen (Canterbury), which deals in a wide range of food pro-ducts Management), the discretionary fund management arm of the group, which now handled funds worth more than £50m.

After tax of £67,000 (£30,000), earnings per 5p share rose from 2.18p to 3.78p.

The interim will be 0.8p

After tax of £182,000 (£150,000), earnings per 10p share worked through at 4.9p up from 4.1p last time.

ready to sell soft drink side

Beecham

and consumer products group, is on the verge of selling its soft drinks operations to Britannia Soft Drinks, a company owned by three major brewers, for between £100m and £150m.

This is the fourth—and pra-This is the fourth—and previously undisclosed—area of business to be put up for sale by Beecham in the wake of its recent boardroom upheavals and decision to concentrate on

its core operations.

Last June the company announced its intention of selfannounced its intention of selling its home improvement
products division, including the
Unibond and Copydex glues; its
Findlater Mackie Todd wines
and spirits business; and its
Germaine Monteil cosmetics
operation.
None of these has yet been
sold but the deal with Britannia
is imminent. Reecham vester.

is imminent. Beecham yester-day refused to comment on the sale but the negotiations are understood to be nearly final-

Beecham merged its t separate soft drinks busines last June into a single opera-tion with annual sales of £200m. The new company called Beecham Soft Drinks, includes Corona fruit drinks and cordials, Tango canned carbonated fruit drinks, 7-UP, sold under franchise, and C-Vit, a black-currant drink.

Beecham also has a highly profitable franchise to bottle and distribute Coca-Cola in England (north of a line between Bristol and the Wash) and Scotland. This franchise runs until 1982.

Tuns until 1982.

The soft drinks sale is the first major deal since Mr Bob Bauman, former vice chairman of Textron, the US aerospace group, became chairman last month but it was in preparation long before he arrived. long before he arrived.
Two small subsidiaries, the
Australian soft drinks business,
and Ace Comb Company of the
US, were sold for £12m last

Britannia was set up earlier this year. It is owned jointly by Bass (50 per cent), and Allied-Lyons and Whithread (both 25 per cent).

GKN/Dyno-Rod in US venture

GRN and Dyno-Rod have formed a joint venture to develop a nationwide drain and pipe cleaning service in the US. GRN will hold 60 per cent of the equity in the new company and Dyno-Rod 40 per cent.

The joint venture, GRN Dyno-Rod Inc, will enter the market initially by acquisition market initially by acquisition of established small and medium-size companies. These will be strategically located, serving major population areas in selected states," it is stated.

British Dredging

growth held back The breakdown of the MV Bowcross held back profit growth at British Dredging in the first half of 1986. Operating profit rose from £504,000 to £530,000 and the pre-tax balance from £719,000 to £730,000.

The directors explained that the profits from British Dredging Aggregates was reduced following the breakdown of the Bowcross during the busy part Bowcross during the busy part of the season.

Turnover was up nearly £1m to £4.97m. Investment income slipped to £200,000, against

BDC Concrete Products again did well and the combined ship repairing activities performed strongly following the purchase of Avonmouth Ship Repairers in August 1985 and the contribution of its paragraph of the price of the strong str bution of its management team to group ship repairing busi-

After tax £264,000 (£280,000) the half year's earnings came to 2.7p (2.55p) per share, and the interim dividend is held at 1p net. In the year 1985 the group made a pre-tax profit of £1.65m and paid a total dividend of 3p.

FT Share Information The following securities have been added to the Share Information Service: Bread Street Group (Section: Paper, Printing).

Group formed to fight EEC trade barriers

A group is being formed to momitor and encourage proposals to break down barriers to moveent of goods within the European Community.

The Freight Transport Association believes progress towards a single internal market in the community must be been in the community must be kept as close to the 1992 deadline as possible. It is therefore setting up a group to minitor and support moves to speed up customs and frontier procedures and liberalise transport services.

Company Notice

GENERAL MINING UNION CORPORATION LIMITED (Incorporated in the Republic of South Africa) Registration No. 01(01232/05 NOTICE OF GENERAL MEETING NOTICE IS GIVEN that a general meeting will be held in Johannesburg an 4 November 1986 for the purpose of consideration of the purpose of consideration for the purpose of consideration of the purpose of consideration of the purpose of purpose scheme. Full details are more found in Circular to Members dated 17 October 1986 copies of which are valiable at 1986 copies to the purpose to the p

Virgin to float music operations at £250m

Virgin Group, the recording groups like Genesis and The of the busine and airline empire built up by Sex Pistols, more than 70 record In 1971. In Richard Branson, plans to shops and TV, film and video record products. and airline empire built up by Mr Richard Branson, plans to in a move which is expected to value the musical company at about £250m. The airline, holiday and night-club interests have been split

off into a separate company, which will remain private, called Voyager.

The flotation is expected to

take the form of a tender offer to be arranged by Morgan Grenfell, the merchant bank. Mr Branson will retain a 70 per cent stake in the company.
Its activities comprise a music recording business, which include pop stars such as Boy George and Mike Oldfield and

float its musical operations on operation, the Stock Exchange next month The music and recording business which is to be floated off increased pre-tax profits from £1.6m in 1982 to about £18m in the year ended July 1986. Sales rose from £37m to £180m over the same period.

Virgin now claims an 8 per cent share of the international record producing market as well as 10 per cent of the UK record retail market. A public listing would give the group

Mr Branson startted selling discount records by mail order in 1969 with company called Virgin Records—a name meant to reflect his own inexperience

In 1971 he founded the record producing company which is basis of the group to be floated, releasing his first record, Mike Oldfield's Tubniar Bells, the following year. In 1984 he launched Virgin Atlantic Airways, winning a licence to fiv one-way to New York for £96 in a move which started another round of airline

price cuts.

Still only 36, Mr Branson has maintained a digh public profile fo rhis attempts—successful in June 1986—to set a new record for crossing the Atlantic Chairman Atlantic Chairman at the Victim Atlantic Chairman at the Chairman with his Virgin Atlantic Chal-lenger speedboat and his appointment by Mrs Thatcher as the figurehead of a cam-

Hill Samuel cuts SA holding

merchant banw, is to reduce its interest in its troubled South present 71 per cent.

The reduction will be accompanied by a restructuring of the South African bank's caping relation will include an increase in the interests of senior executives.

Following implements

he changed.

It is stated that effects of the proposals will not be material in terms of the consolidated

senior executives.

Following implementation of the proposals, Hill Samuel the parent's investment will samuel has decided to renounce its rights in favour & selected South African institutions and certain executives of HSGSA.

wound down.

The ordinary shares converted will be replaced by a rights issue of ordinary shares, though the bank has not yet disclosed how many will be

employed in expanding activi-ties, particularly in under-writing fee based operations, international banking and capi-

BOWATER INCORPORAT THIRD QUARTER RESULTS

9 Months ended 27 Sept. '88	9 Months ended 28 Sept. '85
U\$\$663.9m	US\$666.0m†
U\$\$48.2m	US\$79.1m
> 85\$29.5m	/ US\$46.8m
US\$0.87*	US\$1.54
	27 Sept. '86

Newsprint and coaled paper margins and coaling pages by combined price discounting.

* Three product lines affected by major start-up costs in introducarter.

★ Nine months' income before tax reduced by \$7.6 million non-cash charge to cover retirement of equipment.

Although disappointed with the third quarter results, Chairman and Chief Executive A. P. Gammie cited price increases and improved operations which are expected to lift fourth quarter earnings for pulp and newsprint; while the new coated paper unit, after a slow start, is now producing above expectation and contributing to fourth quarter income and



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Bowater Incorporated of Darien, Connecticut is the largest producer of newsprint in the USA, and a major manufacturer of coated publication paper, bleached kraft market pulp and continuous computer business forms.

REUTERS IN THE GILT-EDGED MAR

Deregulation in the City of London has reshaped the gilt-edged market, reinforcing the need for fast, accurate screen-based information.

Reuters meets this need.

Constantly updated prices from the market makers, together with comment and economic analysis, will form part of the following Reuter Monitor Services on October 27 at no extra cost-Money Rates - Capital Markets - Equities - UK Investment -UK Corporate Money Rates - UK Domestic. For more details either refer to Monitor pages GILY and

GILZ or contact Camilla Sugden Reuters Ltd 85 Fleet Street London EC4P 4AJ. Telephone: 01-324 7979.

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(A)

Morgan Grenfell Government Securities Morgan Guaranty Sterling Securities Phillips & Drew Moulsdale

Challable carly 1987



notice is hereby given that for the Interest Period from 15th October, 1986 to 16th January, 1987 the Notes will carry a Rate of Interest of 11.5% per summ. The amount of interest payable on 16th January, 1987 will be £1,449.32 per £50,000 Note. ment Bank Limited Agent Bank FINANCIAL TIMES STOCK INDICES

U.S. \$100,000,000

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retificates, the rate of interest for the Interest Determination
Period 20th October, 1986 to 20th November, 1986 has
been fixed at 6%. Interest accrued for the above
period and payable on 22ud January, 1987 will amount to
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Issue Price 100 per cent.

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Notice is hereby given that for the Interest Period
17th October, 1965 to 21st April, 1987 the Rate of Interest is 61/s per cent. per annum.
The Interest Amount payable on 21st April, 1987
will be U.S.\$3,132.29 in respect of each Receipt. Agent Bank: Canadian Imperial Bank of Commerce
LONDON BRANCH

U.S. \$400,000,000

Guaranteed Floating Rate Capital

Notes 2005

In accordance with the provisions of the Notes, notice is hereby given that for the six months

interest period from 20 October, 1986 to 21 April,

1987 the Notes will carry an Interest Rate of

61/16% per annum. The Interest payable on the relevant interest payment date, 21 April, 1987 against Coupon No. 4 will be U.S. \$308.18.

By The Chase Manhattan Bank, N.A., London

Agent Bank

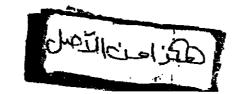
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I.G. INDEX FT for October 1,279-1,285 (+3) Tel: 01-828 5699

26 October 1985.



Charles Batchelor on the uncertain future facing Exco

Caution a threat to independence

The City also reacted badly

DOES Exce International, the phenomenally successful money financial services group built up largely by Mr John Gunn have an independent future?

While Mr Gunn's own career continues to blossom—last Tuesday he was appointed chief executive of British & Commonwealth Shipping, the emergent financial services group— Exco has appeared to flounder.

Two powerful overseas financiers have used the 13 months since Mr Gunn's sudden departure as chief executive to assemble sizeable minority holdings which could form the basis for a hostile takeover bid. Exco. meanwhile, has been frustrated in its attempts to diversify and

The £330m cash stockpile left from the sale last year of its 52 per cent shareholding in Telerate, the US financial information group, adds to Exco's attractions for a predator.

plans than the other members of his board were prepared to back—Exco has been headed by one of his early lieutenants, Mr Bill Matthews.

Mr Bill Matthews.

A stocky, fresh-faced man who looks younger than his 46 years, Mr Matthews has spent the past 14 years at Exco, joining not long after Mr Gunn, when the company was still a small money broker called Astley and Pearce.

The son of a British Rail smechanic, the young Matthews went to grammar school in his home town of Shrewbury before studying law at Oxford. His first job took him to Nigerla, for the Bank of West Africa, where he spent four years. From there he went to Toronto, Canada for the Bank of Nova Scotia and began to specialise in foreign exchange and money broking, leasing and forfaiting (trade financing) hardings. specialise in foreign exchange and money broking.

After a number of years in North America in the money broking business he joined Astley and Pearce. He was que of a small number of executives who, under John Gunn, staged a management buy-out from its parent company, Gerrard and National, the dis-

common in accountancy training close links between a bank and manuals, they brought the com-



Mr William Matthews, managing director of Exce

progressed as far as they did apparently resulted from a mis-reading by Morgan of the Bank's reaction to the proposal. Exco must share some of the blame, however, for taking on trust that merger would be approved. Since the departure of Mr the City has heaped on Exco in recent months has centred around the management style of Mr Matthews and the street was an except the city has heaped on Exco in recent months has centred around the management style of Mr Matthews and the except was a control of Mr Matthews and the execution of Mr Matthews and Mr Matthew er. Much of the criticism which fellow members of his execu-

"We expect to invest £80m this year on our stockbroking, money broking, leasing and forfaiting (trade financing) businesses. Our management team is strong and aggressive."

Neverthelees Exco's recent attempts to conclude a major deal have been dogged with hisfortune. A plan to merge with Morgan Grenfell, the tapidly-expanding merchant bank, to create a £1bn financial conglomerate was dropped lest conglomerate was dropped last March when the Bank of count house.

In 1981, using a name based on the "X co, Y co" formula the O'Brien rules which bar

BOARD MEETINGS FUTURE DATES

PENDING DIVIDENDS

Date	Announce- Dear last	Date	ment last year
ANZ	Final 16 cents	*Hawker	
AB Foods Nov 4		SiddeleyOct 22	Interim 4.5
PAttind Irish		Heath (C. E.) Nov 19	
BanksNov 12	Interim 4.5	Hepworth (J.) Nov B	
*Amersham inti Nov 10	Interior 2-42	HID Sempel Nov 8	Interim 3.6
Ayana,, Nov 11		Kwik SaveNov 22	
Seazer (C. H.) Oct 25	Final 8.0	LWTNov 14	
BootsNov 21	Interim 2.5	Land SecNov 13	
British Car		London IntiNov 19	interim 1.5
AuctionOct 29	Finel 2.0	*London and	
*British and Com.		NorthernOct 23	
ShippingOct 23	Interim 2.2	MEPCNov 25	Final 8.0
BustonNov 21	Final 6.3	"Marks and	:_
*Cable and		SpencerOct 28	
WirelessNov 20	Interior 3.5	Metal BoxNov 18	interim 6.1
Cater AllenNov 7	Interim 8.25	Powell	
Courtaulds Nov 19		Duffryn.,.Nov 21	1019CM 4.5
*De Le Rue Vov 11		Sainsbury	1-a-d 4 4
EMAPNov 21	Interim 1.2	(J.)Nov 5	Interim 1.4
Eastern		Smiths IndsNov 13	
ProduceOct 25		SkatchleyNov 19	MINEL 3.0
Elliett (B.)Nov 21		Staveley Inda Nov 14	
EtamOct 23		TescoOct 29	
Extel Nov 21	Interim 2.0	ValorNov 13	
GEI_IntlNov 12	Intedim 1.94	WhitbreadNov 20	
Gt Portland	I	"WolseleyOct 28	
Estates Nov 12	interes Z.D	"Board meeting intime	med. I mesti
"Hemmerson	L	itsue since made. ‡ Ter	
PropOct 22	INTERNAL ZU	Itsue since made. 1 Fo	INCHEL .

The FT City Financial Series

22 & 23 October, 1986

FINANCAL TIMES

Financial Times

GRANVILLE

Granville & Co. Limited & Lovet Lane London ECSR 88P

Tan Sri Khoo bought a 22 per cent stake last November from from the original owners, British and Cammorwealth Shipping. B and C is understood to have taken the decision to sell because it felt unable to work with Mr Matthews.

This episode does not reflect well on the Exco board. It sacked one of its joint stock-brokers, de Zoete and Bevan, over the KIO transaction and then clashed publicly with Tan Sri Khoo over his demand for three boardroom seats.

Exco takes the view that Tan Sri Khoo—who now holds a 29 per cent stake—overestimated Exco's only other attempt to make a major acquisition—though on a far smaller scale—also failed. It was outbid by Continental Illinois, the US bank, for First Options, a US option clearing house.

followed closely by Exco's two large foreign shareholders, the Singapore businessman Ten Sri existed until this was pointed Khoo Teck Puat, and by the Belzbergs, three Caradian Belzbergs, three Caradian to have a clear strategy mapped brothers with a deal-making out for the British group.

Even if neither of these cent stake last November from holdings would prove useful the Kawait Investment Office launch pads for somebady who which in turn had bought it did. Any bidder would, of from the original owners, the O'Brien rules.

Takeover talk has boosted the Takeover talk has boosted the Exco share price to a new 1986 high of 260p at one stage last week putting the shares on a p/e of nearly 13 compared with just eight, seven and five respectively for its money-broking myals MAI, International City Holdings and Mercantile House.

Though the Cky's view of Exco has recently been clouded

Exco has recently been clouded by uncertainty over its future, the company has shown rapid pre-tax profits and earnings growth in the five years since it came to market.

per cent stake—overestimated the power his shareholding would give him. It does not expect him to make a full takenover hid even though recent purchases by the Belzbergs freed him from an earlier undertaking he gave not to launch a full bid.

The Belzberg brothers, Sam, William and Hyman, emerged only last August as Exco shares holders but they have since taken their stake, held through first City Financial Corp., to 10.4 per cent.

They gained Bank of England

The City also reacted badly to Exco's announcement, last May, that it wanted shareholder permission to buy in up to 15 per cent of its shares. This indicated a lack of imagination, analysts said.

Tit is ironic that, a week before "Big Bang" just as the markets from which Exco has approval to go above 10 per cent on the grounds they do not cedented change, the company have banking interests which has been forced to take its eye would clash with those of Exco.

Despite being noted cor-

KLEIN, **SCHANZLIN & BECKER**

Aktiengesellschaft

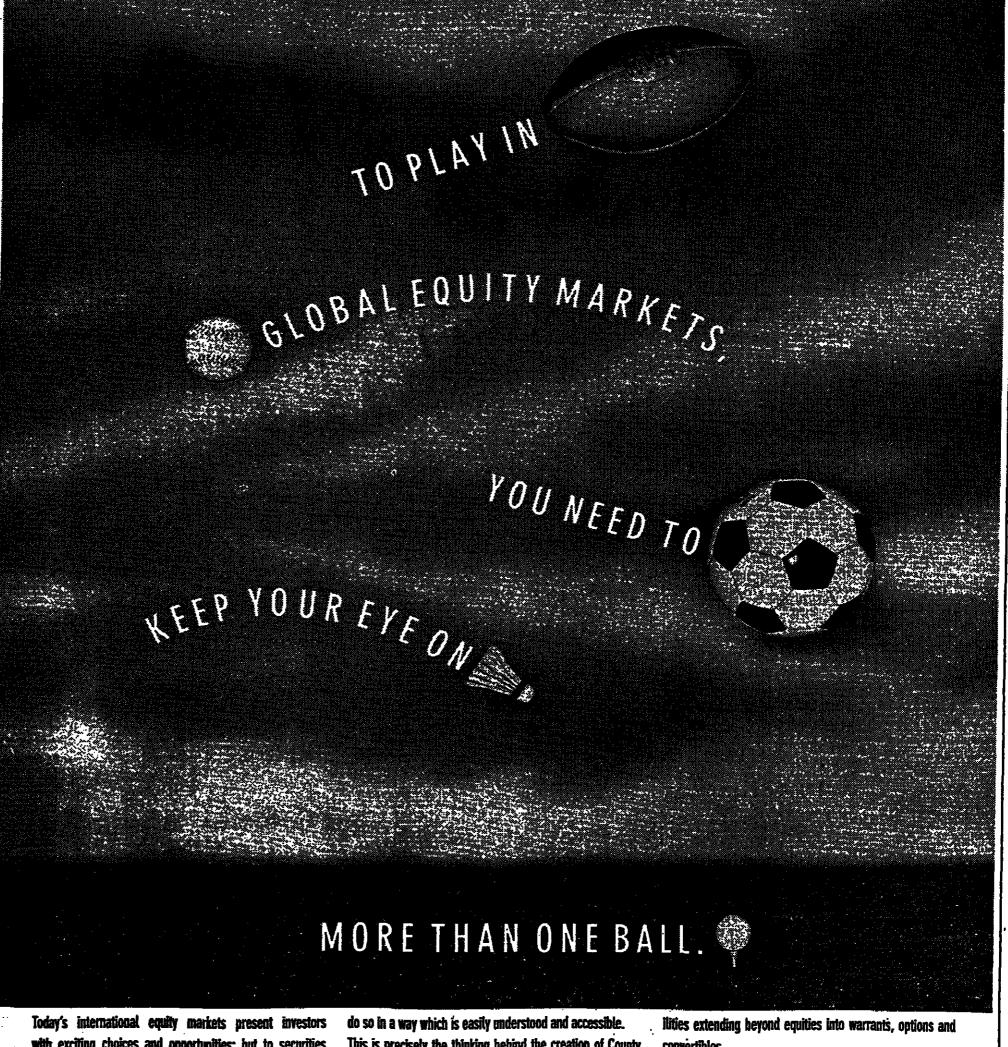
has acquired

Ets POMPES GUINARD S.A. from MOTEURS LEROY-SOMER S.A.

> The undersigned acted as financial advisor to the buyer

MAISON LAZARD ET COMPAGNIE

September 29, 1986



with exciting choices and opportunities; but to securities firms, they present great challenges and demands.

To maximise the opportunities, investors need access to the best research, dealing and administration capabilities, and up-to-date information systems and technology.

The challenge for securities firms is to develop and organise their structure and services to meet the varied demands of the global investor: and perhaps even more importantly, to

& The NatWest Investment Bank Group

This is precisely the thinking behind the creation of County Securities Limited, which incorporates the stock broking business of Fielding, Newson-Smith & Co and, when London Stock Exchange rules permit, will incorporate the market making business of County Bisgood Limited.

On the one hand, a global force with research, sales and dealing operations in all the world's key financial centres; with a huge investment in computer systems; and capab-

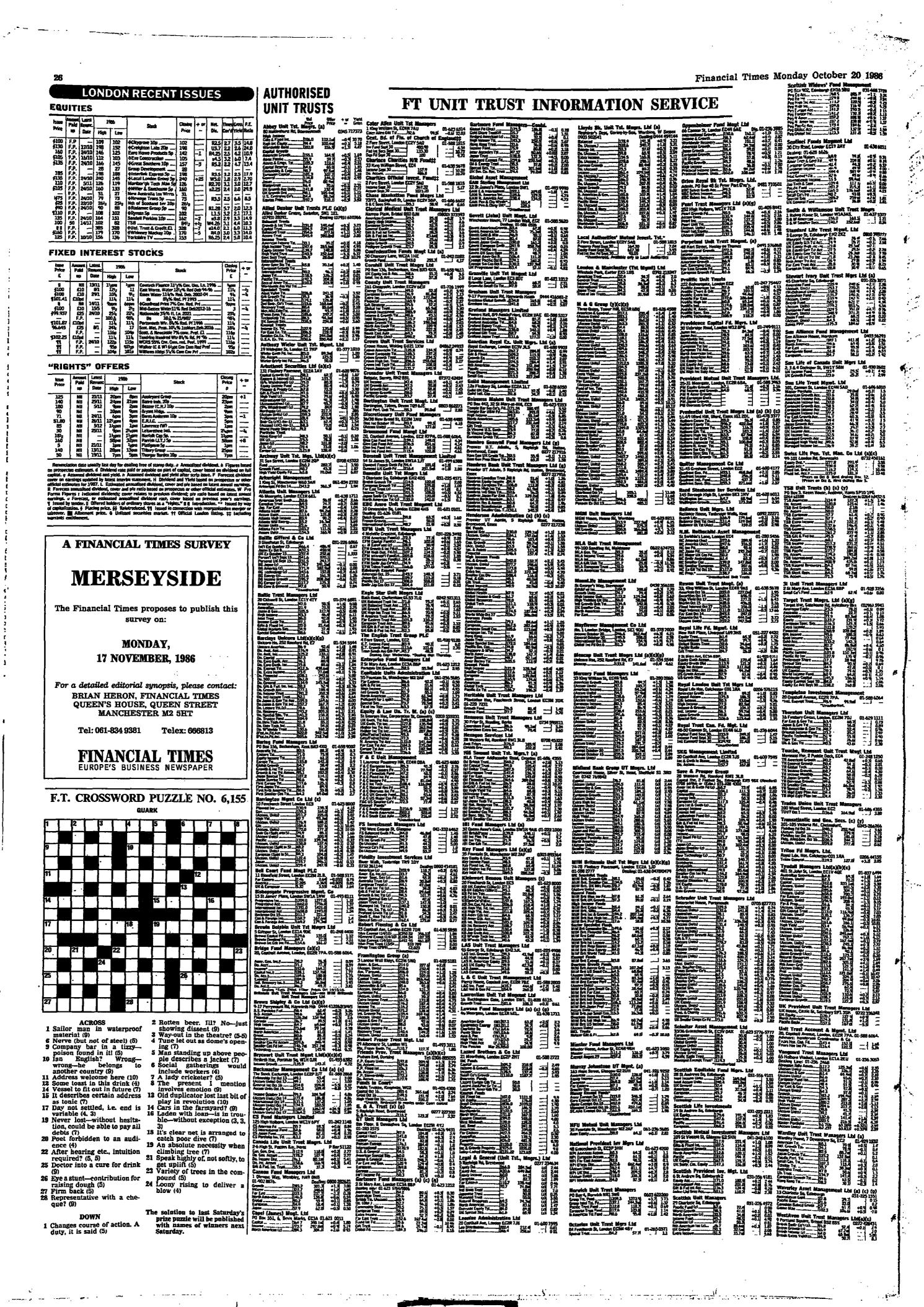
But on the other hand, an organisation which will continue to be based on client relationships and on service. In short, we believe it's a structure which will help you to take advantage of any opportunity, anywhere in the world.

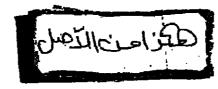
Because international players always set higher standards. **COUNTY SECURITIES**

Nobody's in better shape

24 British funds	I AMERICANS—Cent	- ONE ON CONTRACT	Financial Times Monday October 20 1986 ENGINEERING—Continued INDUSTRIALS—Continued
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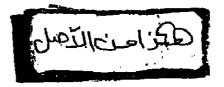
Financial Times Monday October 20 1988 **INSURANCE, OVERSEAS & MONEY FUNDS** 0624 24924 -0.1 -+0.4 -+0.4 --Foreign & Colonial Man piler Fin. Nigest. Intl. (Limited 73 St Peier Port, Guerney Cornerty 54 95 7.343 -0 10.276 6.628 +0 175.6 -3.03 277.0 +4.4 219.9 +1.9 Car Septem Print County MANAGEMENT SERVICES 179.5 179.5 99.7 pers Ltd Canada (UK) Ltd r St, SW1Y58H Bit Relations Company MAIDAI SF-13-64 FF-16-6-07 UV-12-16 E-0-20-90 Y3-092 FF-78-6-74 mails List CIG-25 S13-27 DB-40-33 SF-30-12 FF-101-72 Y3027 E-0-20-38 +0.00 11.6 +0.00 0.00 +0.00 0.00 +0.00 0.00 +0.00 0.00 +0.00 0.00 +0.00 0.00 +0.00 0.00 Money Market <u>1</u>000,55 11.29 Trust Funds Citibank (CI) List Citibanks"
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WORLD STOCK MARKETS

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بة	718 508 NO	202 139.5 V.E.W 152 550 592 Valein-West 476 684 442 Volkswagen 464	3.10 2.46 Pioneer 2.96 2.00 Placer F 4.80 2.03 Poseido	Conc 3.08 Pacific 2.98	2,950' 1,540'M 645' 366'M 914' 535'M 1,840' 1,160'M	arui	15345 C Pa	Mait 5173 or West \$14 uckrs \$16
	2,350 1,610 Bengrain	NETHERLAND 1986 Oct. 17 Price	5.4 3.82 Reckitté	4.4 i	1,760 1,430 M 909 506 M 1,490 589 M	bishi Bank1,660 bishi Chem 698 bishi Corp 1,090	450 CG I 38478 CI B 1375 C M	Trust \$491 ₂ invest \$54 k Com \$191 ₂ srconi \$215 ₈
	3.685 \$212.0arra(out	1986 Oct. 17 Prios Fis 62.7 44.6 ACF Holding 58.2 123.2 92 AEGON 92	6.7 6.2 Tooth 5.1 1.85 /amgas	2,75	2,800 1,070M 660 363 M 1,260 951M 809 405 M	bishi Elect	39504 C Oc 110042 CP L 128856 CTIns 14648 CUSS	xiental \$221, Ld \$16 A / \$151,
- -	4,038 2,152 Darriy	100.8 69.5 Ahold 100.5 181.9 142 AKZO 146.5 638 635 ABN 586 93.8 70.6 ABN 70.8	6.28 4.4 Westpad 1.2 0.75 Moodsid 3.8 2.65 Moolwo	Bank 4.9 le Petrol 1.0 rths 5.55	431; 209 MI 1,400; 590 MI	taui Toatsu 320 tsukoshi 1,090	2300 CUtil 114000 Cards 800 Centro 700 Cara	B \$191 ₈ or \$15 on A \$163 ₄
	375 196 Elf-Adquitans 510,5 3,405 9,000 Essilor 2,900 1,086 714 Gen.Occidentals 1,000	117 92,0 AMRO	HONG KONG	d Intl 4.5	2,180 675 Ni 1,660 1,200 Ni	kko Sec	400 Cara 3065 Carl 13374 Carm	At \$207 ₈ : OK \$133 ₈ ULA 16
	1,615 745 Lafarge Coppes, 1,212 5,850 2,806 L'Oreal 13,465	225 135 Buehrmann - Tet. 210.7 33 17.4 Calland Higs 19.6 203.5 156.4 Doordtsche Pat'm 183.2 246 154 Elsevier - NDU 327		ber 17 Price	2,220 1,360 NI 1,200 801 Ni	ppon Elect 2,060 ppon Express 1,050 ppon Gakki 1,460 ppon Kogaku 361 ppon Kokan 239	1400 Certar 5450 Centi	nese \$157 ₂ Fd A \$63 ₄
-1	4,672 2,640 Legrand 4,465 550 169 Maisons Phenbx 183 2,778 1,480 Maisons Phenbx 183 2,190 3,565 1,725 Michelin B 2,270 6,690 1,500	98.5) 58.7; Fokker	22.2 17.4 Bank Er 5.95 5.15 Cathey	H.K.S. pat Asia 21.3 Pactifio 5.8	1,440 791 Ni 614 447 Ni 1.660 758 Ni	ppon Oil	OVI	ER-TI
	5,690 1,500 Midi (Ge)	75 55 Hunter Doug N/V 57.5 85.8 65,5 int Mueller	35 17.9 Cheung 20.6 14.8 China L 0.56 0.57 Evergo 40.4 32.25 Hang 8 3.72 1.65 Henden	ight 20.2	693, 928,NI	ppon Sulsan 390 ppon Yusen 412 san Motor 545	Stock	Sales fligi (finds)
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	1,250 612 Peugeot S.A. 1,035 738 417 Printemps (Au.). 504 1,030 421 Radiotech. 675 2,600 1,205 Radiotech. 2,187 1,799 1,105 Roussel-Uclar. 1,570 587 230 Segmen 455	553,5 410 Oce Grinten 505 39,5 80,40mmeren (Van) 55,7 92.5 50,0 Pakhoed 67,7 65,7 45,1 Philips	7.8 : 5.6 HK Lan 8.25 : 6.25 HK Sha 13.7 : 9.3 HK Tele 42.75 : 24 Hutchis 18.7 : 11 Lardine	on Wos 41.0	1,410 910.0r 4,760, 9,550.0r 8,450 1,650.Pic 1,130 755 Ric	eahin Flour	OwenMn.30 PACE	P 0
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	34,995 19,980 banco Com*1e25,950 868 575-Bastogl-IRB5	1986 Oct. 17 Price	1985 Co	£.17 Price	4,160 2,810,80 2,480 1,570,54 452 236,54 1,220 725,84	7,	Paycas PeakHC PegGld Penbop 1.20	40 86 2112 32 20 153 432 63
	4,580 3,300 Oracitio Italiano. 2,580 16,500 6,551 Fiat. 15,500 172,032-75,150 Generall Assicur. 132,568 81,505 48,500 Italicamenti	7,575; 4,460 Adia Intl	9.7 4.4 DSS	d Hidge 1.44 5.96 9.6	1.030 308 Ta	omo Elect 1,700 omo Metal 142 isel Corp 794 isho Marine 835	Pentair .68 PeopEx.10 PeoBnC 1 PeoWst	11 179 254 450 314
•		2,285 1,840 Srown Boveri	2.9 1.74 Hong Le	r. Bros 3.18 ong Fin 2.82	2,280 967 Ta 4,480: 5,050 TD 800 457 Te	iyo Kobe Banki 579 Keda1,960 K	PerpSpf .84 Petrite 1,12 Permet	13 79 324 11 13 18 155 274 69 104
~	1,450, 4,553 270 k Rhascerus 1,455 4,553 270 k Rhascerus 1,455 18,890 5,710 Oliveti 16,100 8,970 6,085 Pirelli Co	141,000;94,500;Hoff-Roche PtCts-116,650 14,000; 9,400;Hoff-Roche 7/1911,600	4.88 3.04 Malay B 1.69 0.88 Malay U 0.6 0.30 Multi Pu	rpose; 0.43	1,100 760;To 1,920 833.To	kai Bank	PhirmcL11e PhiliGi .80e PicSevs	25 159 201 ₂ 14 990 213
	SWEDEN	8,880, 7,100 Jacobs Suchard 8,050 4,080, 3,100 Jelmoll 3,880 9,865 1,760 Landis & Gyr 1,895 9,800 7,875;Nestle 3,710	9.0 5.85 OCBC 3.60 2.19 OUB 1.78 0.80 Public 8 1.97 0.89 Sime Da 9.7 5.65 Singapor	ank 3.6 1.29 rby 1.93	8,150 2,690,To 1,200 277 To 1,500 565 To 1,770 974 To	kyo Elect Pwr7,500 kyo Gas	PicCats .48 PlonGp .40 PionHi 1.04 Plengm1.04	11 789 330
	1986 Oct. 17 Price Kroner 230: 175 AGA	2,040, 1,420 Oer- Buehrie	9.7 5.55 Singapo 8.75 5.5 Singapo 3.60 1.85 Straits 1.81 Tat Lee 4.84 2.22 UOS	re Press. 8.4 rdg 5.52	843, 357 To 2,740; 1,490 To 2,110; 1,130 To	ahiba Elect 638 yo Selkan 1,880 yota Motor 1,920	Proyets .30 Ponces PortsCI	37 56 30% 273 8%
	376 245 Alfa Laval B	9.030 1,480-8andoz Pt Cts). 1,840 900 520'8clindler (PtCs), 695 1,880 1,300 8ka 1,500 8,050 6,900 survellance A. 7,625 2,380 1,315-8wisesir. 1,515	SOUTH AFRICA		340 200 UE 3,260 1,480 Vi 775 605 Ya 2,050 680 Ya	tor	Possiss PoughSv ProCet .12 ProdUg	137 24 26 49 1734 18 132 2614 80 163 1114
	310. S63 Cardo (Free)	625.5: 490 Swiss Bark	1986 Octo	ober 17 Price	1,650 2,890(Y)	manouchiPhm 3,050 mazaki	Preside .06 PrethCp .50 Prism PriceCs	15 62 (1271)
	399 210 Ericsson 8	6,000, 4,850 Union Bank	3.00 1.8 Abercon 14.75 8.90 AEACL	7	SPAIN		PSSPub ProsTR PrinvO .16 ProgCs .06	58 1394 77 3092 49 332 109 ₈ 16 147 351 ₂
	890 495 3sab Scania Free 710 935 150 3andvik 158 605 350 3kandia 600 359 286 3KF 346	1985 : October 17 Price High ; Low : Knr. 3	95 55 Allied T 60,50 28,75 Anglo A 74 58.5 Anglo A 880 ,206 Anglo A 24,75 18,25 Barclay 21,9 14,35 Barclay	m Coal 31,25 m. Corp 55.5 m. Goid 360 a Bank 23,75	1986 High Low 1,535 415 Bo	Cotober 17 Pta %	ProsGp ProtLie .70 Prvi.is .84 PgSdBs .72	703 87 ₄ 11 108 213 ₄ 8 84 253 ₄
• •	343: 157 Store Kopparbrg, 297 426: 390 Swedish Match., 484 488 300 Volvo B (Free) 371	494 298 Andelsbanken 380 670 510 Battica Skand 650 348 235 Cop Handelsb'nk 258	A : 1.85 ONA Get	io	470 207 Sc 505 207 Sc 1480 439 Sc	o Central	Purities .20 QMS Quadrx Quantin	15 160 2614 18 114 13 82 91 ₈ 8 488 161 ₂
	NORWAY 1986 High Low October 17 Kroner	470 i 318 D. Sukkerfab 374 381 : 259 Danska Burk 383 1940 1,320 De Danske Luft 1,940 398 179 East Aslatic 186	36.25 16.7 De Beer 79,50, 49.25 Driefont	:el::	1,710 595 Bo	o Santander 840 o Vizcaya 1,465 agados 446 droia 121	Quixtes	47 252 11 2 R R 20 402 214
	178 142 Bergens Bank 178.5 477.5 324 Sorregard 355 204.5 151.5 Christians Bank. 202 185 146 Den Norske Cred 168 121 87 Etkem 109	1,240 900 Forenede Brygs, 1,030 268 180 Forenede Damp. 194 866 310 IGNT Hid	16.5 5 Highvek 14.75 6.2 Majoor 9.5 5.40 Nedban 20 11.5 OK Bazz	13.0 k	901 101.5 lbs 458 172 Pe 228.5 126.5 Te	erduaro 166,5	RadSys Rainer 1.08 RayEn _24 Reading	10 788 91 10 272 321 15 884 307 21 7 245 11 2584 251 22 303 87 47 140 1 12
۰-	195 : 120 Kvaerner 174	845 475 Jyska Bank 480 281 218 Novo Inda 219 248 248	82 45 Rembra 66.75 26 Rust Pis 18.5 13 Safren	ndt	NOTES—Prices Quotad on the	on this page are es individual exchanges ed prices. # Deslings	Reboks Reeves Refer	11 2594 2514 22 303 878 47 140 1128
	156.2 89 Norsem 121.5 145 176 Norsk Data 215.5 169.6 122 Norsk Hydro 142 292.5 255 Storebrand 290	470 : 310 Provinsbanken 355 329 254 Smidth (F.L.) S. 750 1,020 730 Sophus Serend 765 331 136 Superfos 141	11.5 9.0 Sage Hi 16.25 8.3 SA Brew 30.5 24 Smith (8.4 7.0 Tongast	3G)	i auspended, xd Ex	dividend, xc Ex scrip ts_xa Ex all. Price		
·		indi	cos	•			F	
	NEW YORK	1198b Since Cmp	V63	Oct. Oct.	Oct. Oct.	1986 High : Low	ł	
•	JONES 17 16 15 !	Oct. Oct. 1990 Sings Cimp 14 15 High Low High Low 800.80 1798.57 1819.71 1812.95 1817.71 12.31 (4/8) (221) (4/8/85) 27/8	AUSTRALIA All Ord. (1/148) Molais & Mais. (1/1/80)	 	1347.8 1350,5 1357	High Low 2 (17,10) 1018.8 (2/1) 2 (14/10) 481.1 (20/6)	1	HAI
م.	H'me Bnds. 91,40 91,25 91,35	91,40; 91,45 51,94 85,75	AUSTRIA Creditok Aktien(89/12/84		250,25 229,56 268,6		1	F
		127,65 829,38 836,15 685,87 638,84 12,29 (15/18) (9/1) 31/6/68 8/7/62 198,30 198,76 219,15 198,47 219,15 10,5	BELGIUM Brussel SE (1/1/44)	5854,68 578 9 ,5	8728.88 8776.41 4084	J.55 (9/B) 2789.51 (15/1)		ĒÚ
	eDay's High 1844,91 (1852,54)	(20/8) (22/1) (20/8)88 814/8 Low 1807.07 (1819.18)	DEMMARK Copenhagen SE (5/1/85) FRANCE CAC General ((51/12/82)	195,76 194,8 570,5 577,8	T00.7 588.1 412	78 (18/4) 188.28 (8/18) L5 (1/8) 287.8 (2/1)		
	Composite 1 238,84 239,53 258,80 2	256,57; 255,91; 255,3; 205,48; 255,5; 4,40 (27/a); (22/7); 27/4/68; 1/4/62; 160,66; 261,19; 292,81; 224,81; 222,0; 62; (2/7); (22/1); (22/168);31,6/62	Ind Tendence (51/12/82)	148,0 145,1	147,4 150,2 154	10 (25/6) 101,8 (2/1) 10 (17/4) 583,92 (22/7)		
٠.		27,35 27,35 51,15 25,16 51,18 5,94 (14,5) (22/1) 14/5/881/10/7	FAZ Aktien (61/19/68) Commerzbank (1/12/68) HONG KONG	1956.0 1974.2	1989,4 1996,5 2277	58 (17/4) 588.82 (22/7) 1.8 (17/4) 1782.4 (22/7) 55 (15/10) 1558.84 (19/5)		You can of the F
	COMPOSITE AMEX, MKT 263,16 263,19 263,67; 2	185,55; 185,89-145,75-117,75-145,75-4,484 ; (4/8) (22/11-14/5/86-25/4/2 163,501-265,18: 285,19: 244,80-285,19: 28,18	Hang Seng Bank(31/7:64) ITALY Banca Committal, (18/2)		753,77 754,78 808.			in the o
	VALUE MASDAQ 555.72 356.87, 355.65 OTC COMP	(25/6) (4/2) (25/6/00 9/12/74	JAPAN°° Nikkel (18/6/48) Tokyo SE New (4/1/68)	 		18,2 (20,6) 12981,5 (21/1) 1,36 (20,6) 1025,86 (21/1)		for furt Richard V
	DIVIDEND YIELDS Oct. 3 Sep.		NETHERLANDS ANP.CPS General (1870) ANP.CBS Indust (1870)		274.5 274.2 501. 275.5 276.8 508.			Financial Singel 51; Netherla
	S and Pindustrial 5.09 5.1 S and Pindustrial 5.09 5.1 S and Pind Pig ratio 18.89 18.5	17 Sept. 10 Sept. 3 5.88	NORWAY Oald SE (4/1/68)	270.2 270.58 572.49 570.58		81 (18/1) 331,81 (4/6)	L	-vense(19
	TRADING ACTIVITY Millions Oct. Oct. Oct.	New York Oct. 17, Oct. 16, Oct. 15	SINGAPORE Straits Times (68/12/65)	502,29 907,67		87 (16/10) 555,54 (28/4)		
	Volume 1 17 16 15 New York 124,11 158,29 144.31 Arrex 8,41 9,28 9,16	Fails	SOUTH AFRICA JSE Gold (25/9/78) JSE Indust (25/9/76)		1918.0 1981.0 2961 1368.0 1372.0 1382	.0 (1949) 1109.1 (21/4) .0 (25/8) 1019.5 (2/1)		
	CANADA	New Highs 49 1 42 New Lows 13 1 18	SPAIN Madrid SE (69/12/65)	199.27 155,56	194,88 188,12 200	78 (8/10) 100,85 (6/1)		<u> </u>
			I distant		1 I	, 1		- ^4

SWEDEN Jacobson & P (51/12:66)

1540-0 1557,44 1550,53 1534.64 (c) 1625,5 (15/4) | 1886,5 (22/1)

Ideho Pwr. ... 1,648,300 Chem. Waste 1,518,000 Allied Str. 1,332,800 Dow Chem. ... 1,334,900 E. F. Huttos ... 1,294,500

Stocks Closing on traded price day 48,300 2874 - 1, 52,800 6675 - 1, 34,900 5374 + 1, 24,500 4675 - 1

NEW YORK ACTIVE STOCKS

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Sales Sinck
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49439 Laidiaw B
17300 Laigh Inst
18425 Loblaw Co
10300 Lumenius
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1923 MSCR Ex
28380 McCan H X
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1923 Macmillen
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3750 Macmillen
45690 Magna A f
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| S265 | 255 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 25228 Bank Mort \$343, 4535 Bombrdr8 3244 4535 Bombrdr8 3251 2122 CB Pais \$2012 85721 Cassades \$1414 100 Cil. \$2812 8548 ConBetta \$2514 1071 Dom Park \$1715 118050 Natilik Cda \$2812 17287 Noverco \$1334 18840 Power Corp \$1514 8325 Provigo \$1724 8325 Provigo \$1724 8325 Rollanda \$1514 30800 Rollanda \$1514 30800 Royal Bank \$348 15565 Roy/Tratoo \$3076 6000 Steinbrga \$3773 otal \$2028 3,560,578 shares

HE-COUNTER Nasdaq national market, closing prices October 17

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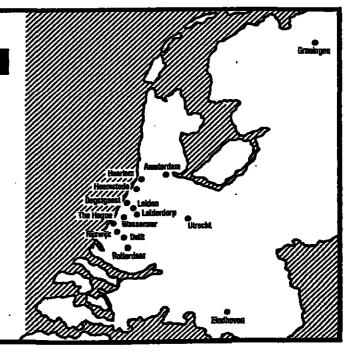
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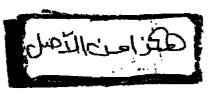
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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

causes concern as dollar seeks direction

STERLING gave cause for some concern last week, and tended to take the spotlight off the dollar. There were plenty of US and British economic figures for the market to examine, but these had no

strong impact.

US retail sales in September rose sharply, by 46 per cent, but this was less than some forecasts, which ranged up to 6 per cent, although the general level of expectations was around 3 per cent. There was little reaction because without car however because without car sales the rise was a mere 0.1 per cent, and it had been known for

September US industrial production. This rose 0.1 per cent, against forecasts of a fall of around 0.2 per cent, but the figure was not strong enough to change the view that the US economy is performing sluggishly. Further evidence was supposed by the authorities on Tuesday.

Mr Nigel Lawson, Chancellor of the Exchequer's, speech at the look on the move as a sign of weakness, which could be exploited by putting further pressure on the currency.

The Chancellor's speech grows also directly connected with the rise of prompted by the authorities on Tuesday centing the form 2.4 per cent, while an increase in fuel and raw material process in such directly connected with the rise of the Exchequer's, speech at the look on the move as a sign of weakness, which could be exploited by putting further pressure on the currency.

The Chancellor's speech at the look on the move as a sign of weakness, which could be exploited by putting further pressure on the currency.

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The Chancellor's speech at the look on the move as a sign of increase in fuel and raw material banks, including the West exploited by 1.7 per cent in the same facturers import costs sharply by 1.7 per cent in the same facturers in process of a fail prices pushed up mannage facturers in process of a fail prices pushed up mannage facturers in process of a fail prices pushed up mannage facturers in process of a fail prices pushed up mannage facturers in process of a fail prices pushed up mannage facturers in process of a fail prices pushed up mannage facturers in process of a fail prices pushed up mannage facturers in process of a fail prices pus US economy is performing slug-gishly. Further evidence was sup-plied by the larger than expected fall of 7.6 per cent in September housing starts.

UK statistics were mixed, showing encouraging news on unemployment and public sector borrowing, but less optimism about the outlook for inflation. The figures were overshadowed however by aervousness about oil some time that dealer incentives prices, as ministers from the had led to a high level of car sales during the period.

Another figure with the potential to move the market was about production quotas, and by

prompted by the authorities on Tuesday.

Dealers were generally taken back by the timing and the size of the base rate rise, feeling that a rise of 2 per cent should have been made a week or so earlier, which could have been presented to the Tory conference as a sign of strong Government, or that the authorities should have stuck to their guns and refused to move

The foreign exchanges regarded the 1 per cent rise as insufficient to put a firm base

that another 1 per cent rise could be avoided, and when sterling opened in London on Friday morning it quickly lost 1 cent against the dollar and fell to a record low against the D-Mark.

UK retail and producer prices suggested the downward trend in inflation may be at an end.

Unemployment news rarely moves financial markets, and the underlying fall of 22,000 in September UK unemployment had a similar impact to the lower than expected provisional PSBR figure of £2.2bn for the same month. The figures were encouraging, but were virtually is nored as the market had

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CERT. DEPOSIT (IMM) \$1m points of 100%

week, the intervention could only slow the dollar's decline

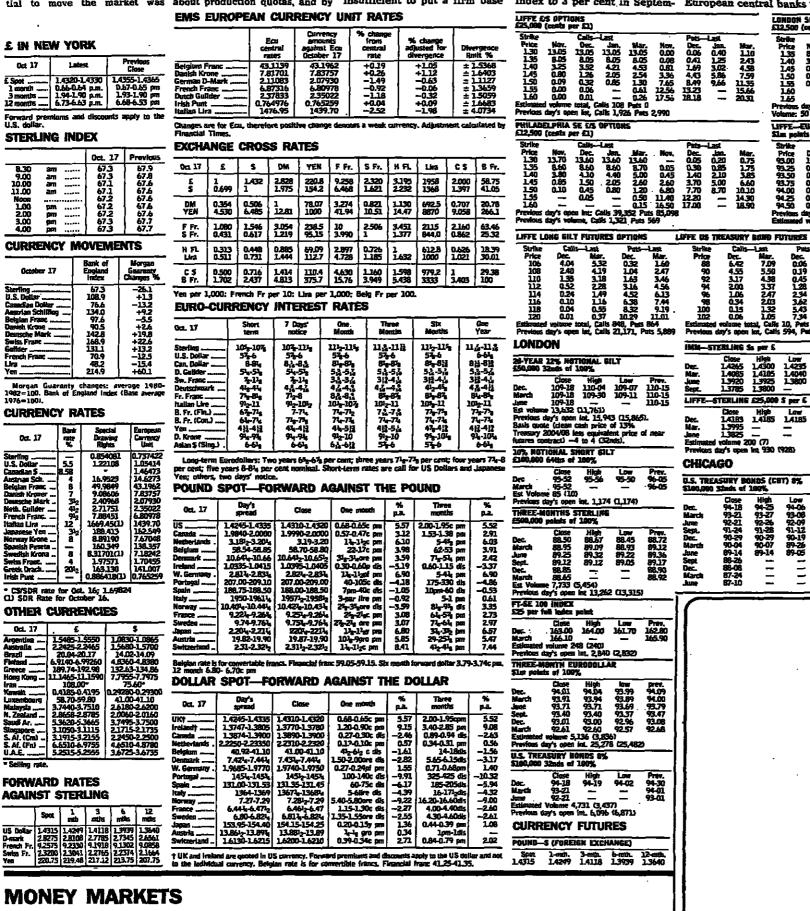
This followed similar co-ordinated intervention the pre-vious Tuesday, and may be enough to prevent the market from attacking the dollar too hard if tomorrow's third quarter

suggested the downward trend in inflation may be at an end. Rising petrol prices were a major factor behind the rise in the year-on-year retail prices index to 3 per cent in Septem-

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Chancellor fails to convince

UK clearing bank base lending rate 11 per cent since October 15

DEALERS ON London's financial markets were not convinced by the end of last week that they had the end of last week that they had heard the last on the subject of higher interest rates. For most of the week they had given Mr Nigel Lawson, Chancellor of the Exchequer, the benefit of the doubt about economic policy, but the signs on Friday were not encouraging.

Tuesday's signal to the money market by the Bank of England

market by the Bank of England that a rise of 1 per cent in bank base rates would be in order was particularly unsettling. It was generally considered a worse alterna-

tive to putting rates up by 2 per cent, or leaving the rate structure unchanged and hoping that pres-sure for an increase would ease. There were already signs early in the week that pressure was eas-ing and the rise therefore came as quite a surprise. Mr Lawson's argument that the weakness of the pound and the acceleration in the growth of the

FT LONDON INTERBANK FIXING (11.00 a.m. Oct. 17) 3 months U.S. dollars

BANK OF ENGLAND TREASURY BILL TENDER

Total of applications Total allotated	£100m £97.33 tf 53%	=	Average rate of discount Average yield	10.999 E100m	i
WEEKLY CHAN	GE IN V	VORLD	INTEREST RATE	:s	
LONDON	Oct. 17	change	_NEW YORK	Oct. 17	change
Base rates	11	+1 +1%	Prime rates	71 ₂ 54	Uectr'd
3 month interbank	1173	+12	3 Mtb. Yreasury 874s	5.37	+0.17
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TOKYO	·		Intervention Rate	7.00	Unchid
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Three month	74	+4			777
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narrow money supply indicator, Mo, was an acceptable reason for the 1 per cent rise, did not gain Dealers feared that the impact on the currency and money supply growth would not be strong

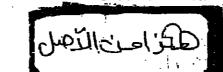
Chancellor's speech at the Man-sion House on Thursday was that he had failed to convince the City

bills at Friday's Treasury bill ten-der. On the previous two weeks the Bauk of England decided not to allot any bills, but on Friday the average rate of discount was 10.6928 per cent, and roughly in line with the present rate struc-ture. This might at least mean the that the currency and economic policy are running on a safe course. Three-month interbank finished on Friday at 11.2 per cent, pointing to another rise of at early as this week. MONEY RATES

NEW YORK (4 p.m.) 72 2-14 51-54 4.21875 104-114 7.40 11-114

the D-mark.
One favourable sign was that the

LONDON MONEY RATES 11-111 101-11



SECTION III

FINANCIAL TIMES SURVEY

Arena of economic growth

IT IS almost a cliché to say that the Pacific Rim is where the future lies. There, the pioneering virtues which gave birth to the Industrial Revolution in Europe are to be found fashioning 20th century economic miracle.

the 20th century economic intracts.

It is not surprising, therefore, that any prolonged blip in the region's economic heartbeat, such as the one recorded in south-east Asia over the past two or three years, should cause concern in the business houses of Europe and the US and provoke re-assessment of investment strategies.
The "Singapore Express," the

locomotive that has helped to give the city state a standard of living undreamt of 25 years ago has, been derailed by a combination of dil-fortune and bad management. At the same time the failure or near-failure of various high-flying companies in the region—Carrian and the Tung shipping group, in Hong Kong, Thailand's First Bangkok City Bank and Pan-Electric in Singapora, hand together the company t Singapore—have tended to re-inforce this perceived sense of

reversal.

Growing protectionism in the West and the depressing effect on some of Asia's most vibrant reconomies of US economic sluggishness have also taken their and half the world's population and some of declinating commodity prices on growth rates in Indonesia and the rest of South East Asia as well as of the US to the military dictators. of South East Asia as well as in Australia—where there has been a steady disintegration of the Labor government's compact with the trade unions—have all added to the uncertainty of the

region's future. To these questions could be added the long term challenge to Japan's export performance by the inexorable rise of the mighty yen and the fear that the region's vitality will be sapped by the lack of stable political structures. The penetration of Russian military strength into Asia to challenge American dominance is another worrying

Set against these concerns. however, two of the region's most important characteristics lying strength and economic primary resources, entrepreneu- of modern communications, rial vibrancy and disciplines have emerged as the most con-

11

Ву

which are rooted in a rich and diverse cultural heritage. The second is the ability of coun-tries in the region to bend to the prevailing wind and emerge reasonably unscathed from poli-tical and economic crises. The 34 countries which circle

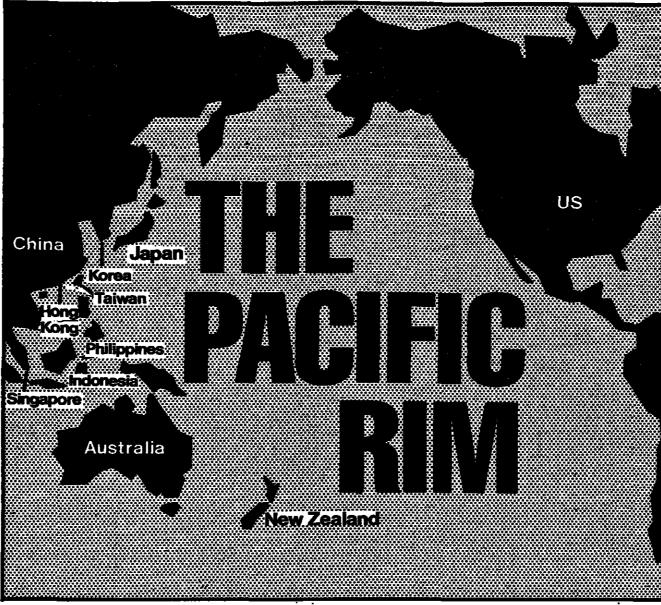
ALAIN CASS

torships of South America and the Marxist regimes of Indo-China.

They speak more than a thousand languages between them, and display the richest

religious and cultural traditions of any region in the world. A formers since the end of the bewildering profusion of races second world war. exists among its 2.4bn people.

The Pacific rim possesses
21 per cent of the world's oil
resources, 63 per cent of its wool, 67 per cent of its cotton, 87 per cent of its natural rubber and 94 per cent of its natural silk. Sometimes, it seems to have a monopoly on



Three years ago US trade with Asia outstripped, for the first time, the flow of goods and services across the Atlantic. In 1975. US trade with East and South-East Asia totalled \$42bn. By last year this had surged to \$200bn.

The reawakening of China enterprise.
Individually and collectively, new market has added to the countries in the region have excitement of a region already contributed to a fundamental shift of power from the Atlantic and, thanks to the facility of modern communications, and Taiwan.

The reawakening of China as a vital and potentially vast new market has added to the countributed to a fundamental vibrant with the success of shift of power from the Atlantic and, thanks to the facility Korea. Singapore, Hong Kong of modern communications, and Taiwan.

of course, been Japan which, from 1950 to 1973, notched up growth rates of over 10 per cent a year, or more than twice the world average. It has since exported not just its goods and services but also its business acument to the rest of the world.

More recently Japan has become a major player in the world's capital markets. In world's capital markets. In 1984 Japan's current account surplus was \$25bn. This year it could reach \$70bn. Some \$40bn of Japanese savings have helped fund the US budget deficit over the past two years. The pathfinder for this Tokyo now has the world's

pressively. Taiwan was the fastest growing economy in the world in 1984. South Korea. devastated by war only 32 years ago, confidently expects to be the fifteenth richest country in the world by the year 2000. Even those countries, such as the Philippines, faced by potentially disastrous civil conflicts, have emerged apparently stronger thanks to a restlience which is characteristic of the region.

second largest stock exchange, and the yen is fast taking on the aspect of a world currency.

Despite the difficulties of countries such as Singapore, others continue to perform impressively. Taiwan was the fastest growing economy in the world in 1984. South Korea. devastated by war only 32 years world in the fifteenth richest country in of his energies to consolidating

The end of the Vietnam War in 1975 saw the coming of age of a new economic and political region, grouped around the rim of the Pacific Ocean. Many of the nations in the region, strategically located on trade routes vital to both East and West, have enjoyed unprecedented economic vitality.

IN THIS SURVEY

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major policy speech in Vladivostok on July 28. After more than two decades of neglect, not all of it benign, the Soviet Union is attempting

coast. Though he may appear obsessed with the Soviet Union. President Ronald Reagan (a Califormian) has devoted much of his energies to consolidating American ties across the Pacific, most notably with China.

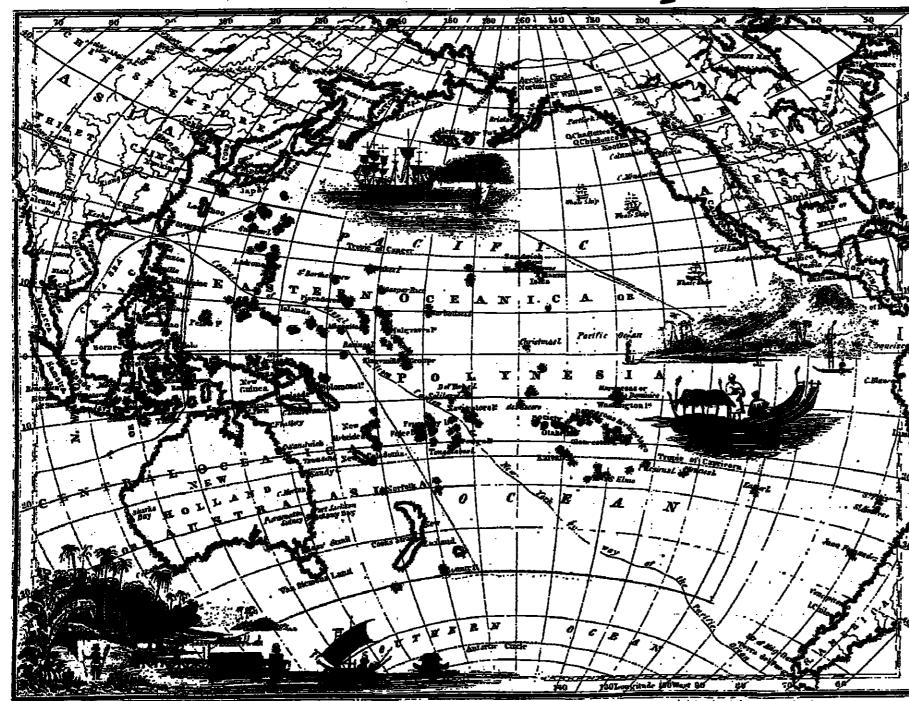
Mr Mikhail Gorbachev, the energetic new leader in the Kremlin, signalled his own recognition of the importance of the Asia-Pacific region in a distinguish they may disagree over specific issues, such as Moscow's backing for the Vietnamese occupation of the Xmapuchea, Mr Gorbachev and Deng Xiaoping, the Chinese leader, take the same pragmatic view of the world. The fraternal embrace of the 1950s may no longer be possible but Moscow and Peking appear firmly set on the road to a practical working relationship. Although they may disagree

mid-1970s, when the US was driven from Vietnam and General Eisenhower's dominoes General Eisenhower's dominoes appeared to be falling one by one, a stability of sorts has settled over the region.

The future is unlikely to be without incident or even upheaval. The growing consciousness of the peoples of Melanesia, coupled with a growing resentment of France's ing resentment of France's colonial presence in New Caledonia and its nuclear testing programme in Polynesia, presage troubled times ahead. CONTINUED ON PAGE 8

Mr. Magellan for showing us the way.

Altrich Chipotentia



On a sunny day in 1520 during the first circumnavigation of the world, the great Portuguese explorer Ferdinand Magellan rounded the Cape of Good Hope and entered the then as yet unnamed Pacific Ocean "... a vast body of tranquil water."

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A cementing force of 30 million people

London and in some of North America's most dynamic cities, you also talk about some of the most powerful and successful business groups in existence—just as widely dispersed as, and in places even more powerful than, Jewish people outside Israel.

Anuma the Pacific Rim there

Around the Pacific Rim, there can be no other cementing force as important as the 30m overseas Chinese—or "Huaqiao," pronounced Huachiao—who act as mediums for international trade and investment, are among the most highly educated in any community where they are found, and today run many of the major corporations in the countries where they have

As the giant Chinese economy opens up to the outside world after 35 years of virtual isolation, this same community has spearheaded foreign efforts to build business and trading links with the mainland. They accounted for 80 per cent of the US\$6bn foreign investment com-

accounted for 80 per cent of the US\$6bn foreign investment committed last year, and channel untold millions into the country in the form of donations or family remittances.

Whether you are in San Francisco, Soho, Jakarta, Melbourne or Vancouver, if you want to do business, there is a considerable likelihood that your local counterpart will be Chinese. He may carry a local name, and affect local customs, but it would be a great mistake to overlook the importance of his Chinese origins.

The great majority of China's

Take thum mist during the political turmoil during the simo-Japanese war, and the political turmoil during the simo-Japanese war, and the personage of Presimo-Japanese war, and the political turmoil during the simo-Japanese war, and the conomic the political turmoil during the simo-Japanese war, and the personage of Presimo-Japanese war, and the personage of Presimo-Japanese war, and the personage of Presimo-Japanese war, and the simo-Japanese war, and the conomic the political turmoil during the simo-Japanese war, and the personage of Presimo-Japanese war, and the conomic the feeble Qing dynasty provided a strong incentive for munist government came to power in 1949, have started from four countries in the Pearl River delta around the countries in the political turmoil during the conomic the conomic the world. From his Indonesian considerable the world. From his Indonesian to power in 1949, have started from four countries i

outside world it is the overseas Chinese community which has spearheaded foreign efforts to build business and trading links with the mainland.

Until 1842, it was in fact for-bidden by the emperor for any Chinese to travel beyond the country's borders. Those who defied this dictat were regarded as traitors and faced execution on return to the mainland. Only the defeat of China at the hands of the imperial powers in the first opium war reversed this Civil disturbances

JAPANESE INVESTMENT IN THE PACIFIC

As China's vast economy has opened up to the

Hakka, a migrant people who gravitated towards Guanghong centuries ago, have also settled overseas in large numbers, their womenfolk even today often seen around south east Asia wearing their characteristic hlack-veiled hats.

More recent flights from China, most of them linked with

More recent flights from In Indonesia, Liem Sice Liong China, most of them linked with the political turnoil during the Simo-Japanese war, and the dent Suharto that ranks him persecutions and economic chaos witnessed since the Communist government came in converse here has been been supported.

"WHEN YOU talk about the overseas Chinese, you talk about the miserable history of China," says Professor Zhu Jieqin, head of the Institute of Overseas Chinese Studies at Canton's Jinan University.

Most of them are refugees from a century and a haif of economic and political chaos, from persecution, frum civil war, and from poverty that has been endemic in a society where so many people are competing to survive or a limited amount of cultivable or fertile land.

However, frum the point of view of governments across Asia, and for communities in the most powerful and successful business groups in existence—not provided the most powerful and successful business groups in existence—just as widely dispersed as, and in places even more powerful and successful business groups in existence—just as widely dispersed as, and in places even more powerful and successful on the province where they now control in the most powerful and successful business groups in existence—just as widely dispersed as, and in places even more powerful and successful of the province where they now control in the province and political chairs.

Huagian have their ancestral roots in Guangdong or Fujian. Guangdong or Fujian.

Huagian have their ancestral roots in Guangdong or Fujian.

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Huagian have their ancestral roots in Guangdong or Fujian.

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At the same time, coasoldation of Indomesia and Indomesia mainly by province in Maturalia is known as "Xin Indomesia and Indomesia mainly by province of Chinese Busines in Maturalia is known as "Xin Indomesia and Indomesia mainly by province in Maturalia is Rooton of Chinese and Indomesia and Indomes

amounting to US\$23bn.

The impact of the overseas Chinese has often been no less notable in the communities where they have settled. They have made they have settled. They have made they have had a similar impact in Singapore where they account for a substantial majority of the population.

Figures like Li Rashing and Sir Yue-Kong Pao in Hong Kong have over the past 30-odd years built up empires that are worth billions rather than millions of dollars—II Kashing diversifying from plastic flowers and property, and Sir Y.K. from property, and Sir Y.R. from ship-owning.

ship-owning.

The Lee family in Singapore, which controls the Overseas Chinese Banking Corporation and the Lee Rubber Group, Khoo Teck Pusnt, who holds a major stake in the National Bank of Brunei, and the Sophonpanich family that controls the Bangtok Bank, can also be counted among the also be counted among the world's super-rich.



Traders from Singapore familiarise themselves with the "open outcry" system of floor trading at the Chicago Mercantile Exchange during a two week training and orientation session

Group.

In Vancouver and Toronto, the thriving Chinatowns at the heart of both cities form the base for similarly large and powerful Chinese communities. Many Hong Kong names— like that of Ki Kashing—are well known as prominent investors in property in Vancouver, even though most recent immi-grants control more modest

grams control more modest fortunes.

At present, Canada is perhaps the single most popular target for migration for overseas Chinese — partly because of an array of government policies afned at encouraging migration, and partly because it is seen to offer a stability and quality of life that is rarely found elsewhere.

Recent migrants to North America — and to Australia for that matter, which in recent years has related its long-standing "white Australia" pelicy — have tended to be professionals rather than entrepreneurs. Many of them have

prenent. Many of them have come from Hong Kong, where uncertainty over the territory's future, once China regains sovereignty in 1997, has

It is difficult to gauge the economic impact of these migrant flows, and the investments that have made migration possible. The Australian Government estimates that property investments alone over perty investments alone over the past decade amount to around US\$4bn, while in Canada it is thought to be at least twice that sum, and in the US even larger, but simply unquantifiable.

Officials in Hong Kong insist that these outings — both of cash and highly trained man-power — have had a negligible impact on the territory's economy, which remains one of the most buoyant in Asia. The claim is difficult to believe, but virtually impossible to challenge.

While the economic success of overseas Chinese is indisputable, their traditional secretiveness and introversion, coupled with relactance to enter the political fray, has left them politically vulnerable in many countries and cities. In Indonesia, there are frequent violent outbursts by ethnic Indonesians against the local Chinese. When President Suharto dies, then they can no

In Malaysia, where Chinese community appears to be com can establish a toehold in business areas long-dominated by the Huaciao. Racial tensions have often led to a volatile

In the US, divisions between Chinese sympathetic to Taiwan, and those more sympathetic to the interests of mainland China have until the recent past castrated the Chinese communities in political terms ties in political terms.

Divisions based on language and clan grounds have also divided the communities, pro-viding an important reason for the failure of Chinese communi-ties in San Francisco and Vancouver to win a political voice that matches their numerical strength.

In San Francisco, a 36-year-old assistant district attorney named Julie Tang, who left Hong Kong almost 20 years ago

commercial property in the prompted thousands to seek factive. Chinese run a large number of the leading electronics nationality.

It is difficult to gauge the companies in nearby Silicon

It is difficult to gauge the conomic impact of these mig.

The prompted thousands to seek faction longer be certain that his successor will provide similar be on the point of breaking new shelter, with the result that ground as she fights for a seat substantial fortunes have been on the city's board of supervision and the first time in the conomic invested outside Indonesia to wisher the first time in the conomic invested outside Indonesia. provide protection against an visors. For the first time in its uncertain future. community appears to be con-

> While the likes of Julie Tang have thrown deep and perman-ent roots into their adopted societies, few are willing to turn societies, lew are while to that their backs on their Chinese origins: "I see myself as Chinese American rather than Are-ican Chinese," Julie Tang

> Like many around her, she has been back to China for a visit, and it appears certain that many more will in the years to come retrace their roots back into the rural villages of Guang-deed and Spiling where present dong and Fujian where parents and grandparents first came from.

> These Chinese are the people of the Pacific Rim. They give the region much of its coher-ence, and will play a major part in enhancing the concept in years to come.

David Dodwell

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gla

Japan's influence in the region

Trade involvement deepens

Other Latin American 4-2% of Islands 0-7% **☆**#**¢**China 0·3% Panama 99% SUS 39-9% Indonesia ADVANCED 16:1% COUNTRIES **ASEAN** Singapore 3 3.9% Other Asean 5-4% Taiwan 1-3% Australia 63% S.Korea 31% Canada 32% Hong Kong 5-6% New Zealand 0-5%

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A JAPANESE recognition of the potential value in a more while tireless as conveners of contents which fan out in the ocean around it has long been on the official agenda. A Tokyo conference on the subject was convened in 1968, and the late This is pretty much how smaller deals is now boosting to the fore when sites were being selected.

If, as a result, the US and Europe have been favoured with the headline investments—
Toyota to Kentucky, Nissan for trade.

This is pretty much how smaller deals is now boosting to the fore when sites were being selected.

If, as a result, the US and Europe have been favoured with the headline investments—
Toyota to Kentucky, Nissan for trade. Prime Minister Ohire's subsequent enthusiasm for Pacific Basin co-operation gave rise to anxiety among South-East arena of dominance for the industrialised North.

Today the official Tokyo standpoint is notable largely for its caution. Mr Yasuiaro Nakasone, the present Prime Minister, uses "realistic gradualism" as his preferred phrase for policy on the region.
At the same time, though,
Japan has been a more than
willing partner in the loosely Council (PBEC) which have

USA 19,4%

ments for trade.
This is pretty much how Japan likes it. Tokyo officials note with satisfaction that market economies predominate in the region, but describe as y among South-East in the region, but describe as governments that this functial any attempt to draw represent just another conclusions from this which embrace a political or strategic commonality. Evenhandedly, commonality. Evenhandedly, they are less than lukewarm about the suggestions which have been made by Moscow in the past few months that it too should rank in the Pacific part-

They point out that little more than a year ago the Soviet line was one of dismissal as an inherently capitalist forum. Its membership of the PREC or any other assemblage, they argue, should be preceded by a more visible commitment to trade with the region.

But as Japanese ministries continue gingerly to sidestep tripwires like these, a far more fundamental shift has been

ning Agency now estimates that by the year 2,000 as much as a fifth of manufacturing output will be produced at Japanese-owned facilities offshore, compared with a current level of perhaps 5 per cent. Leading makers in the automotive and electronics indus-tries will reach and exceed proortions like that much s Pacific nations have by no means been sole beneficiaries, and official "guidance" from Tokyo is likely to have figured in earlier years, bringing the tempering of trade friction well

vehicle output in Taiwan and South Korea. Overall, though the US remains a powerful magnet for Japanese direct investment abroad, accounting for roughly

Mr Makoto Sakurai, senior economist at its Research Insti-tute of Overseas Investment, points out that tax credits and accelerated depreciation scales for new plant and machinery have brought to the US not only Japan's biggest industrial stars but many of their smaller

One curious spin-off from this could have a far-reaching structural impact on manufacturing within Japan in the next A brand-name maker of, say,

tripwires like these, a far more fundamental shift has been occurring in the private sector. Japan will typically have a Companies are moving production abroad at a rate which is accelerating by the month, to meeting the companies which, if not entirely dedicated to meeting the companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies are moving production abroad at a rate which is meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies which, if not entirely dedicated to meeting the companies of supplier companies are more supplier companies. equity cross-holdings are low-although boards may overlap arthough noarus may overlap and co-operation ranks high.

Operating out of their new Silicon Valley sites, however, these component makers are beginning to cast for, and win, business far beyond the traditional "family." The newly distanced paragraphs are in source. tional "family." The newly distanced parents are in some cases disquietened, and the Japanese Ministry for International Trade and Industry is said itself to be concerned at possible effects on domestic employment stability.

requipment is being bought more readily for installations there, while Asian countries are also able to offer somewhat more from their own resources. Imports back to Japan are seen as the logical, if not automatic or immediate, next step.

Examples already exist of investments being linked to large.

abroad, accounting for coughly a third of an animal total vestments being linked to large-which the Export-Import Bank scale imports, although few of Japan says is running at \$13bn. not self-sufficient. None the less the economy of Western Australia is being underpinned for at least the

underpinned for at least the next 10 years by the commitment of Missubishi and Missui, the two giant trading houses, to the A\$12bn North-West Shelf project which will have Japanese utilities as sole export customers for its liquefied natural gas. Revenues from Japanese ex-

ports have been hir not only by the year's appreciation against the dollar (to which Pacific currencies are fra-quently pegged) but by official clampdowns, notably Peking's recourse to its foreign explaners response to its foreign exchange

Makers of consumer durables such as television sets were shaken to discover that the world's biggest new market for their products had, for the moment, all but ceased to exist. As the electronics sector re-sponded beistedly in revising profit projections further downward, arbitrary external downward, arbitrary external factors were easy to blame. The element of naivete within Japan shrouded by their earlier confidence is rather less tractable. It embodies much finat can be justified—the quality of Japanese-made goods and the assurance of timely delivery among them. Having opened its customs gates to a

In the past, Japanese direct well-made, well-priced product, foreign investment to the it could be thought unwise that region was accompanied by this would be among the first exports of capital goods for the projects involved. Now, US equipment is being bought.

But the attitude conceals

deeper assumptions about Japanese superiority which have been slow to dis postwar Japan has inter-nationalised. Racial or nationalistic gaffes by members of the government are only the most visible aspect of thesein the past two months Mr Nakasone was forced first to sack his Education Minister over an allusion disparaging of Koreans, then himself apologise to the US for what was read as a denigration of intelligence levels among American ethnic nanorities.

National identity is not, for Japan, a matter fit for blurring into a broader regionalism. On the contrary, the country's deeper involvement in the well-being of those who share

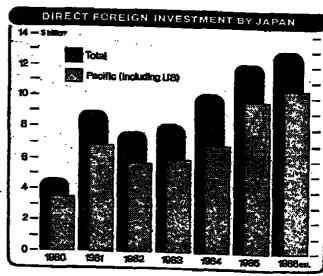
well-being of those who share its ocean is projected at home as stamming from pride as much as necessity. As Mr Nakasone's quoted opinions about Mexicans in the US were invoking the ire of Washington's Hispanic caucus, he was able the same day to uttend a scheduled meeting with a visiting Finance Ministry team from Mexico to confirm an agreement for Sibn in project aid. for \$1bn in project aid.

A "flying geese" pattern of development — in parallel, but not all abreast — is a term credited in the 1930s to Kaname Akamatsu, the Japanese economist. It is used in Tokyo still to describe the Pacific; to explain why many Japanese bankers find it too diffuse a bankers find it too diffuse a marie to marie to marie to a an region to merit treating as an emity; to acknowledge the diversity which would inhibit an EEC-siyle alliance of equals; and to suggest a leadership role for Japan which avoids the trint of domination.

Gordon Cramb







Springboard for European and US traders

AS AUSTRALIA suffers under 5 per cent 2 year, while the a mounting balance of payolder industrialised world of ments problem requiring a big Europe and North America has a to come to terms with major with the Pacific rim bave largely been due to the comple-AS AUSTRALIA suffers under a mounting balance of payments problem requiring a big export drive if it is to be overcome, the country has only recently begun to recognise that on its doorstep is one of the fastest-growing economic regions in the world.

On the western side of the Pacific rim, stretching from Japan in the north, past the awakening giant of China, through the dynamic countries of south east Asia, down to the

of south east Asia, down to the recently deregulated New Zealand, is a region of the world doing best in the international

east Asia currently accounts for about 20 per cent of the world's GDP and through the adaptability of its member economies is widely tipped to keep growing at rates of around

structural problems.

While a member of the

ASEAN community in strategic terms, economically Anstralia is not yet one of them, and as a largely raw material supplier has been falling slowly behind in recent years as commodity prices tumble and the region's major exports, manufactured

goods, increase.
In its favour the national government has recognised the problem and is moving to develop a number of export strategies to turn its geographi-cal position in the region to economic advantage while proximity to Asian markets has exports accounting for nearly made. Australia an attractive 30 per cent of the total while springboard for European and the US is in second place with

mentary nature of its resource richness with the scarce resources of its northern neigh-

As Australia dug up much-needed minerals and produced hefty food surpluses its northern neighbours devoured the produce and returned with increasingly sophisticated manufactured goods.

The biggest economy in the region, ignoring the eastern side of the Pacific where the US dominates, is Japan.

Today Japan is the number

Today, Japan is the number one destination for Australian

10 per cent and New Zealand third with about a 5 per cent

But the exports to Japan are largely raw materials such as iron ore and coal which in return Australia receives the

electronic goods.

Australia's problems are com-pounded by the fact that the Western Pacific rim countries have been generally moving towards manufactured products and away from food stuffs and agricultural raw materials for the past decade. They are turning instead towards the fastestgrowing high-price areas of world trade, while Australia has en relatively slow to change.

That a number of recent deve lopments within the Australian economy has combined to offer the prospect that the country has at least recognised its problems and is moving rapidly to overcome them.

The most important develop-ment was the floating of Aus-tralia's national currency and its resulting depreciation against a wide basket of other currencies, and allied with this has been an unprecedented period of industrial peace, with government action to break down the imposing system of tariffs and quotas.

The depreciation of the dollar has helped overcome one of the major barriers to Australian export industries, the high cost structure and poor international competitiveness.

After the dollar fell nearly 40 per cent against other currencies. Australian companies suddenly found they could sell into the highly competitive Asian markets with some price advantage.

Meanwhile.

wages break out.

The depreciation also encouraged some overseas companies, and has so far been modestly such as Japanese car manu- successful thanks largely to a facturers with factories in union leadership willing to acturers with factories in union leadership willing to wished to expand trade in the promises to be the most difficult Australia to consider building accept employment growth region, are the next step in the of all the tasks. But Australia

27 - 4-77 Programme 1985 - 1985

products for export back to head ahead of wage increases for government's programme office. reform.

Australia's level of industrial government moved relatively disputation has returned to that last seen in the 1960s, helping quickly to ensure that the competitiveness gains of a lower dollar would not be dissipated through higher inflation or a reliability as an exporter.

High tariffs, which simultaneously made local industries less efficient while angering northern neighbours which

members of the Government have, all recognised that important as these changes are, to be effective attitudes of ordinary Australians to work and towards their Asian neigh-

Perth, Western Australia: venue for Pac Rim 86, the international symposium on finance, trade and investment in the Paciac aim region, November 16-19, 1968

> bours need to be changed. The process to bring about these changes is underway and

remains a young country with-out the long-established tradi-tions and values of its European

lian economy and the strategy needed to overcome them has widespread acceptance in the community, and once again Australia may find itself the lucky country helped out this time by its neighbourhood more than its natural resources.

Chris Sherwell



Industrial transformation in China: a woman machine operator in a Canton factory

Dilemmas as the giant awakes

AN AWAKENING China has Peking's past instability. For apore and several others, challenge is to expand

Unlike many visiting leaders to stride through the the Singaporean Prime Minister, Mr Lee Kuan Yew, has urged caution in dealing with China.

"There is always the danger that should economic co-operation with China expand, Singapore could become too dependent. And that could be disastrous when dealing with a communist country," he says.

However, the Australian Prime Minister, Mr Bob Hawke, has had little hesita-tion in pushing ahead with substantial development of trade, and has tried to hitch Australian industries, in par-ticular, from and steel, and wool, to China's modernisation

drive.

That there are conflicting assessments of China's worth as a partner is a consequence of the short time China has been open for business, and of the country's record of political upheaval in the recent past. China is still an unproven commodity to many countries in the resion. countries in the region.

A striking example of regional hesitancy has been Japan, China's major trading Japan, China's major trading partner. Japanese companies have been quite willing to sell, but persistently refuctant to invest, much to the chagrin of Chinese officials, who point to a Japanese bilateral trade surplus last year of \$6bn as a sign that the relationship is unbalanced.

Of 2,360 equity joint venture contracts signed by the end of 1985, Japan had about 4 per cent in project number terms, well behind the US, 7 per cent, and Hong Kong, 77.5 per cent. In US dollar terms, Japan had 15.6 per cent of all investment, ahead of the US.

with 9.6 per cent, but well

for 9.3 per cent of invest-ment, other Asian countries for 4.1 per cent, and sundry

Overall foreign investment fell by 20 per cent in the first half of this year, com-pared to the same period last

While China is surrounded while China is surrounded by dynamic Asian economics, those countries, apart from Hong Kong, have so far played a limited role in Chinese development. For example, diplomatic compli-cations are still a hindrance in the cases of South Korea and Taiwas.

South Korean trade officials made clear to me that they would be very keen to invest in Chinese projects. But in Chinese projects, but Peking's close ties with North Korea has restrained rela-tions, though supposedly unofficial trade burgeous— bilateral trade through Hong Kong alone last year was about US\$500m, an 80 per cent increase on 1984.

Taiwan

On the other hand, China is only too willing for investment from Taiwan, but the Taipel Government maintains that it will never allow direct trade with or investment on the mainland, while allowing indirect exports.

Government information offices amplication during officials amplicated during officials amplicated during officials.

officials emphasised during interviews late last mouth that there has not been, and will not be, a saftening of the "no contact policy," even though indirect trade last year was just over \$1bn, double that of 1984.

Tainai's senior makesman.

Taipei's senior spekesman, King-Yuh Chang, directorgeneral of the government information office, said: "We ship our exports to Singapore, Hong Kong and Japan. If they ship them to the mainland, then that is their business."

China's influence, through trade and government to government ties, lass grown as Peking's active support for regional communist parties an attempted communist coup in 1965, but the countries signed a direct trade agree-ment in July last year.

Jakarta and Peking. in a mid-October meeting with the former Australian prime minister, Mr Gough Whitiam, who recognised whitam, who recognised Peking immediately after taking office in 1972, the Chinese leader, Deng Xisoping, said he is satisfied with current co-operation be-tween China and Pacific countries.

However, while Peking says its growing regional role will be as a peace-keeper, several Asian leaders harbour concern that a radical change in political direction could make a more powerful China a more powerful foe. The Malaysian Prime Minister, Datuk Seri Mahatir Mohamad, has said his country will not be "caught napping" by a swing of political sentiment.

"As you know, countries do change and in the case of China we have seen very radical changes. No leadership of any country can be absolutely certain that the policies of their country will not change," the Malaysian

He has been pleased by Chinese assurances that Chinese assurances that Peking provides no support for insurgent activity in Malaysia, but said during a visit here late last year that insurgents still believe China supports them.

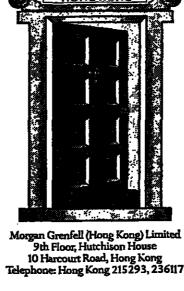
"They still believe in outdated ideas and think they could get help from China simply because of ethnic connections. That is their belief, and because they believe that, they are not doing things in the interests of Malaysia and maybe not in the interests of

The Chinese leadership is doing its best to ensure the political stability that will work against a sudden shift in foreign and trade policy.

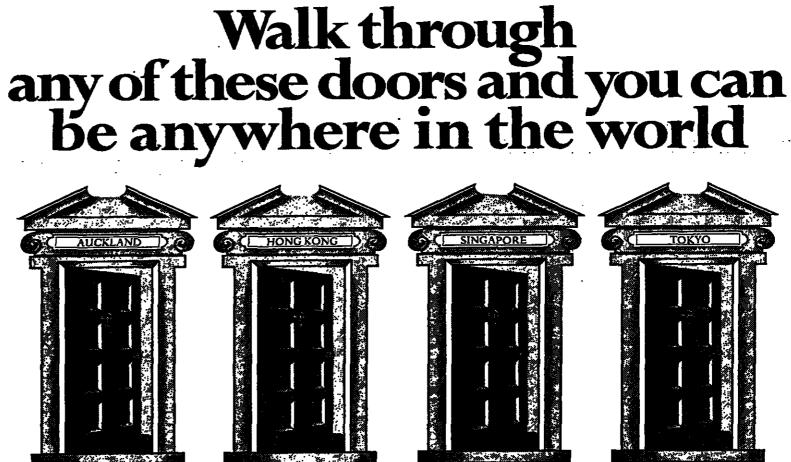
Robert Thomson



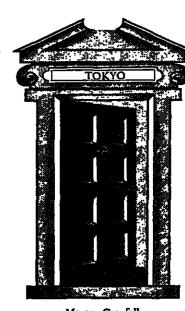
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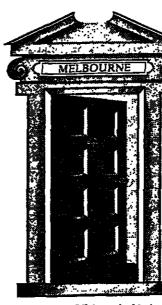
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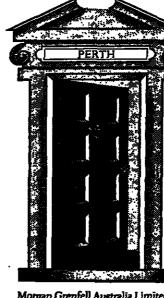
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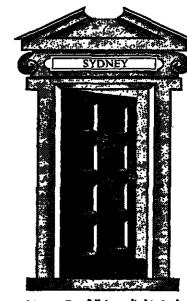
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Barges carry export goods down the great Yangtse River at Chunking



Deng Xiaoping, the Chinese leader, attaches much importance to foreign involvement in China's modernisation but the key question remains: What happens when he retires?

At 82, China's Deng says: 'I would like to retire early'

DURING A recent and rare tion can be seen in the higher rades are urging him to stay interview with an American commercial profile he has taken when the supposedly strong interview with an American comme television reporter, Deng Xiaoping was asked whether he would allow an official blography to be written about himself. Mr Deng, not one for personality cults, said he would not, as the assigned author would probably be reluctant to list his more mistakes. interview with an American television reporter, Deng list his many mistakes.

At that moment, the time At that moment, the time allotted for the interview expired and the television crew was expected to leave. After much pleading, the Chinese leader agreed to another 25 minutes of questioning, and then said wrly: "That is another of my mistakes."

the helm as China pushes appea ahead with difficult and often issue.

"I believe if I retire when I am still around, it would be good for the continuation of the existing policy. That is also in keeping with the conviction I have always had. In the end, as I am a member of the Communist Party, I must obey the decision of the party."

Post-Deng China remains something of a mystery to foreign investors and Chinese, who have the political contortions of the recent past to remind them that the best laid readership plans can see a servey. leadership plans can go astray.

In fact, the past has been a frank word. There is little doubt guide for Deug on how not to that he is prepared to slip into plan a succession.
The importance the Chinese leader attaches to foreign in-volvement in China's modernisa-

commercial profile he has taken in recent months in response to a downturn in foreign invest-

For instance, he met An Wang, president of the Wang Group, on October 8, and assured him that "foreign entrepreneurs could not find a safer investment than in China."

Problems

much pleading, the Chinese leader agreed to another 25 minutes of questioning, and then said wrly: "That is another of my mistakes."

The crucial question in Chinese politics, of course, is: "When will Deng Kiaoping's time run out?" The 82-year-old leader who had been expected to retire next autumn is apparently under pressure from his comrades to stay at the helm as China pushes ahead with difficult and often

"Personally, I would like to retire early," said Deng, whose real power extends far beyond that implied by the modest title of Chairman of the Communist Party's Central Advisory Commission. He claims to work only two hours a day, devoting much of his time to books and grand-children.

"I helders is I notice whose in the capti-

Second and third generations of leaders have already been put in place, and in the past year more than a quarter of the central committee and a third of the polithure has been pensioned off. Deng has attempted to make the legal system a source of stability, and continues to send senior officials abroad to see that life is some thing more than a collection of Maoist and Marxist writings.

Deng is a man of his often the background, though be will continue to influence politics until his cesth. The question succession structure is already

in place. that his fellow travellers foresee problems in the introduc-tion of the next phase of reform, which includes tam-pering with the sacrosanct party structure and introducing further politically-sensitive

Deng Xiaoping's political success is founded on the success of his economic policies. None can dispute that wages are higher, that the food supply is better or that steps have been taken to solving a chronic housing shortage. If the economy falters, those

cadres who have lost power and prestige under reform will have a better argument against change, as will party members who think that material im-provement has ben accompanied by ideological bankruptcy.

If nothing else, as Deng imself has admitted, the reforms are in many ways an "experiment" and the government, like Deng the man, will inevitably make migrakes. That is why a Dengless China would be more of a ship without a rudder or, as Mao Tse-Tung would say, without a helmsman.

Robert Thomson

David Lange sees wider role for New Zealand

Prominent in South Pacific forum

DAVID LANGE, New Zealand's fast moving, eloquent, prime minister, has become a domin-ant and highly respected figure among the smaller Pacific Basin countries—island states, many of which have achieved indendence only in the past

He sees New Zealand playing a bigger role, and having greater influence in the Pacific —politically and economically among the smaller countries of among the snaher countries of Polynesia, and through trade with the more populated areas of California, Japan and South America. He and his Labour America. He and his Labour government believe the Pacific region offers much greater potential than is yet fully realised by many European or other Western countries.

He has taken a prominent role at the annual South Pacific forum, the gathering of South Parific leaders which was

South Pacific leaders which was established to strengthen and improve economic liaison and co-operation between all the countries in the region.
Yet, his support has not been entirely uncritical.

This year, irritated by what This year, irritated by what he considered to be too much time wasting efforts by some newer leaders to introduce a heavy political theme into the forum, he threatened to stay away in future if the forum becomes another arena for political confrontation like the United Nations.

Mr Lange is very much at

Mr Lange is very much at home in these gatherings and slips easily into the informality of the South Pacific way of life. or the South Facine way at the Typical of this ability was his week long trip by small Pacific islands cargo ship—where accommodation and conditions were cramped to say the least —to visit some of the more re-

more islands in the Tokelan social and economic changes Group. He is the first prime being rushed into place by his minister of New Zealand ever to Labour Government.

The people of many of the Pacific island countries still have far to go to achieve the economic benefits and living standards enjoyed by New Zealand and other western countries, and Prime Minister Lange is, by nature, sympatheic to their needs

Thus, his government intro-duced special concessions to help the smaller Pacific Island countries boost their exports of fruit and other produce to NZ. It has also taken a more liberal view against illegal immigrants from Pacific countries than its

Many people from the Pacific enter New Zealand on a visitor's permit or short term six month working pass. Thousands have stayed on to form an illegal underground workforce and are known collectively as "overstayers."

Under the previous administration they were harrassed by immigration officials and police who endeavoured to deport any they could locate. Dawn raids on the homes of suspected overstayers created a had impression with many Pacific

country governments.

Mr Lange's government put
a stop to this, and earlier this
year declared an amnesty for all overstayers working in the

This is part of the personal philosophy which brought David Lange into politics—giving up a law practice which earned him greater financial rewards than he received as a member of Parliament—and which is

aspirations and hopes for him-self and New Zealand, he says: "I want to help create a society where people are committed to each other and realise they have a duty to their brothers."

His government too has pursued radical economic policies. Although the master plan for the revolutionary attack on New Zealand's long established economic policies and financial methods was devised by finance minister, Roger Douglas, it was Lange who led the political charge to sweep away the old structure with its controls, restrictions and solidly erected bulwarks designed to shelter New Zealanders from the un-New Zealanders from the un-pleasantries of international

His support for an anti-His support for an anunclear policy springs from the same strong social convictions and although he was by no means the sole advocate of the country's anti-nuclear stand, he has won adherents for it at home and abroad with his articulate advocacy and obvious sincerity.

The damage, too, has proved more limited than at one time was feared. The US Administration honoured its word and resisted pressure to take trade reprisals against New Zealand following the row over the ban on US nuclear ships.

It is now apparent that the controversy and the attendant publicity has actually helped boost New Zealand tourist traffic from the US. The realisation that New Zealand and other South Pacific countries are pollution-free and politically untroubled without the terrorist

activity often found in the northern hemisphere, has en-couraged many more Americans to travel south.

The US is now a major trading partner, and California, with Australia, is usually the first target of New Zealand exporters. A whole range of New Zealand products ranging from Kiwifruit to Steinlager beer is found in stores throughout the state. Lion's brewery carried out a classic trade expansion ploy by establishing its beer in Hawali, then leap-frogging into California and from there across the country. New Zealand is also working hard to develop trade relations with Pacific coast countries in

South America. Chile has be-come an important market while some of the country's largest companies have formed joint venture deals, or bought controlling shares in large South American companies, particularly in the forestry and fishing industries. New Zealand and Canada are

New Zealand and Canada are also moving closer together. The establishment of two new air services between Auchland and Vancouver by CPA and Air New Zealand last year has given a dramatic boost to two-way tourism and Mr Lange is confident the already close family ties between the countries will become stronger. Defence chiefs would like to see closer ties between the armed forces of both countries. both countries.

Although he is a political realist. Mr Lange will not deviate from the path laid down in all these areas for the sake of winning votes at next year's

While admitting the Govern-



Prime Minister David Lange: irritated by what he sees 25 time-wasting efforts

change has caused considerable pain and financial hardship for many New Zealanders, he believes that the majority of voters will appreciate and understand what the government is trying to do and the utimate benefits which will

Right from the start we told them there would be no easy ride. We also told them there were no quick ans The ride certainly hasn't been easy and it's not over yet, but I believe the voters will see the track is getting smoother. I believe they will stick with us,"

Dai Hayward

PROFILE: LEE KUAN YEW OF SINGAPORE

Stern and vigorous leader

HE FOUNDED a nation. defeated communism, and proved—with a vengeance— that there was an alternative. Lee Kuan Yew, Singapore's only prime minister in years of independence, has earned an international reputation an international reputation that is far out of proportion to, and indeed overshadows, the tiny island state that he leads, a mere speck of land on the end of the long Malay-sian peninsula that has just 2.6m citizens.

Yet out of the most unlikely circumstances, in a society with strong racial ten-sions and a brutal underground communist movement, Lee managed to forge a nation of mainly Chinese immigrants that is indepenNot all would agreed with that characterisation, for it is a rather peculiar form of democracy, one that many Westerners would not recog-nise as such. Indeed there are

those who say Lee is an oppressive autocrat who wields dictatorial power.

Even today, when Singapore is by all appearance a model city state that is free from corruption and has no after his opponents with a vigour that is unflattering, if not trightening.

In recent months Singapore has repeatedly watched the Prime Minister at work, confronting, debating and inter-rogating his fees on the evening television replays of special parliamentary hearings.

Mr Lee has hit out after the transgressions of Mr J. B. Jeyarcinam, one of the two opposition MPs, who cast aspersions on the independence of the Singapore judiciary without apparent evidence to back his claims. Lee has since let his sights on the Law Society, which Mr Lee is worried is meddling in political affairs beyond his compass.

There is little question about the principle's behind Lee's affack. He is a crusader, a fighter who uses all the legal—and this is the import-ant word—measures at his disposal to trounce on those who threaten to sully the clean edifice he has built. Still, the Prime Minister

gives a performance that, few

would deny, earns him little love among his people. As an old fighter, he apparently knows not what else to do. that Lee has tried, largely with success, to mould this miniature nation into a vast extension of his own person-ality. Like a stern father, he is perhaps more respected than But the historical judgment of this Lee Kuan Yew, who will apparently brook no opposition, will surely recog-

opposition, will surely recog-nise that he is the chosen leader of the people of Singa-pore, chosen because they like what he has created. No one is quite sure how this new nation will carry on without him. "Nothing grows under the banyan tree,"



Singapore's Lee Kuan Yew:

sion in Singapore. Yet so much has been of time, that it is hard to believe it will not live long after Lee leaves the helm. With Lee at a vigorous 63, however, this might not come for many years yet, despite his pledge to leave office in

Steven Butler

Trade on the 'Ocean of the Future'

"IF YOU want to understand Pacific trade, then you have to start with Japan," says a senior US trade official in San Francisco. "Here it is easy to see how, having failed to achieve worldwide economic domination by means of war. they have achieved it by trade during 40 years of peace."

For eight years already, US trade in the Pacific has outstripped trade across the Atlantic to Europe—and this is due almost entirely to the steep growth in Japan's exports to North America. remains as to why his com-North America. This is a major reason for the

Pacific economies becoming the main focus of deepening protectionist sentiment in the US. As the US's trade balance has me US's trade balance has swerved so sharply into deficit
—amounting to almost \$150bn
last year—so it has not escaped the notice of political leaders in the US that the country runs trade deficits with virtually every Pacific trading partner.

Even among the smaller Pacific economies themselves, rading patterns show remark-able similarity: substantial trade deficits with Japan counter-balanced by substantial surpluses with the US.

Euroluses with the US.

Even China, which has only recently begun to emerge as a trading force and shows every sign of having an increasingly direct impact on trading patterns in the region, at least for the time being, conforms to this nattern. this pattern.

These development have co-incided with—and have in part stimulated—a shift westward in the economic centres of gravity in both the US and Canada. California, which has escaped virtually unscathed as a slump in the manufacturing sector has hurt states in the centre and the east of the US, would today rank the seventh largest economy in the world if it were an independent country. Its international trade has trebled since 1970, and today accounts for 18 per cent of the state's gross product—compared with 9 per cent a decade ago. Not surprisingly. 75 per cent of its trade is with countries around the Pacific Rim.

terms of the volume of cargo passing through it, handling more than 52m tonnes last year, compared with 40m tonnes in

The growth in trade in the Pacific region, which has occurred at a time of virtual stagnation in Europe, is also linked with a maturing in the economies of the region—in particular the "Four Dragons"—South Korea, Taiwan, Hong Kong and Singapore.

—South Korea, Taiwan, Hong Kong and Singapore.
Governments in Australia and New Zealand have also sought closer trading links in the nearby Pacific markets—in part because of increasing trade barriers in traditional markets, and in part because of the proximity of Asian trading partners.

The five resource-rich mem the new resource-rich member states of the association of South East Asian Nations (Asean) have as a matter of political priority sought to focus more of their trade in the pacific region.

But for these countries with-out exception, the increasing

might of the Japanese economy is becoming the foremost issue is becoming the foremost issue of controversy and concern among trade officials. Most foreign economists feel Japan's trading success began to "get out of hand" around 1983, when its trade surplus passed US\$20bn. Last year the surplus passed \$46bn, and there are no convincing signs that this trend has been halted or reversed. has been halted or reversed. In acknowledgement of the

fact that a \$50bn trade surplus with the US is not sustainable without serious economic and consequences, and that its domination as a supplier "economic imperialism," Japanese officials have over the past
year taken first tentagina and tenta to reduce surpluses.

rective actions." a western trade

Meanwhile in Canada, the official noted recently in Japan. Japanese currency has enabled of Japanese motor manufacturers strong locomotive force for the port of Vancouver has grown "They are starting to recognize to become the second most in nise that they are threatening the foundations of the world trading system."

First came a devaluation of markets, Japanese manufacthe Japanese yen. In dollar turers have in many cases terms, it has appreciated by tried to peg export prices at over 40 per cent over the past the expense of profit margins. Year, It is a measure of the There is a lot at stake for stranglehold many Japanese companies such as Sony,

main export markets. In their efforts to keep their

Atlantic is the ocean of the present. But anyone who fails to recognise that the Pacific is the ocean of the future is likely to pay a high price for his slowed under the weight of such susbtantial trade deficits, so these "Four Dragons" which

oversight."

—comment by a noted San Francisco economist

revaluation has so far not triggered a slump in either the volume or value of exports.

In the first quarter of 1986, Japan's trade surplus with the world doubled to \$12.46bn from the first quarter of 1985—partly because the raw materials and fuel oils that it must import in large quantities (they account for 70 per cent of all imports) have fallen steeply in price. Imports of raw materials rose by 3.6 per cent by volume in the first quarter of this year, but in yen terms, the import

bill for these materials has fallen by 24 per cent. held by many Japanese manu-"The realisation of impending crisis has begun to filter turers account for 96 per cent down, albeit slowly, to produce the first hint of significant cor
entering by many depanese manufactured products (manufactured products (manufactured products), but also of the the first hint of significant cor
entering by many depanese manufactured products (manufactured products) and depanese manufactured products (manufactured products).

the US and Europe as a weak

goods have in international Nissan. Toyota or Hitachi, markets that such a massive which export 50 per cent or revaluation has so far not more of their total production. "It appears that some manufacturers are at last feeling a pinch," notes one observer in Tokyo. "But we have to remember that the declines

come after two years of record profits—so they clearly have lots of fat to burn through."

An increasingly common response by Japanese manufacturers has been to keep costs down, and maintain market share by boosting direct foreign investment in manufacturing connects in markets that turing capacity in markets that were once exclusively importers of Japanese goods — pre-dominantly Taiwan, Korea, Singapore and Malaysia.

The country that has borne the brunt of Japan's success is the US between 1980 and 1985, imports from Japan have risen from \$30.7bn to \$72.4bn, while US exports to Japan have virtually stagnated—rising from

tories, the administration faces the rather perverse prospect of Japan reducing its trade surplus by buying back from the US vehicles and electronics products that are coming off the production lines of their US subsidiaries

Other fast growing economies in East Asia have seen similar striking gains in their sales to the US without corresponding increases in purchases from the vic

Taiwan has boosted exports to the US from \$6.8bn in 1980 to \$17.8bn last year, while South Korea boosted sales from \$4.1bn to \$10.7bn and Hong Kong from \$4.7bm to \$9bm.

depend beavily on price-sensi-tive textile and electronic exports have seen the weaken-of the US dollar boost their export competitiveness in Euroan markets for the first time

pean markets for the first time in three years.

Hong Kong, for example, is boasting a 25 per cent increase in exports to West Germany so far this year—an improvement that is entirely due to exchange rate shifts.

The five ASEAN states have

not been so lucky. These mainly resource-rich economies have managed to share in some of the strong gains to the US but the across-the-board weakening in their primarily commodity exports—products like palm oil, which and present the primarily commodity. rubber and natural gas—has taken a heavy toll. The Australian and New Zealand economies have

weakened for their own distinctive reasons. Shut out of tradi-tional markets in Europe, their manufacturers are only now beginning to carve a niche for themselves as part of the Pacific

trading community.

Both are high-labour-cost economies, making it difficult to penetrate the fiercely competitive markets that Japan regards as in its back yard. Australia's natural resource sector is for \$20.8bn to \$22.6bn.

In the US, where a number once proving an insufficiently

countries in Asia—particularly China—have borne little fruit. China itself has only since 1978 begun to open its doors to international trade. In the recent past, the chaotic state of its domestic economy, combined with the pressing basic needs of its huge population, have made it an important export market for products such as grain and

China remains the world's leading importer of steel-much to the benefit of refineries in Japan and South Korea-but the recent success of agriculthe recent success of agricultural policies has transformed
the country into a net exporter
of grains and an exporter of
cotton, too. Its success as an
exporter of oil has been
weakened by falling crude
prices but increasing quantities
of coal are likely to find their
way on to world markets.

It may be a long time before
China's economy is sufficiently
organised and efficient to organised and efficient to achieve major successes as an exporter, or to achieve self-sufficiency in a wide range of manufactured goods, but its sheer size means that even the most gradual shifts are likely to have a dramatic impact on trade patterns in the Pacific and beyond. Its strength as a textile exporter is already starting to be felt—to the discom-fort of textile exporters around the Pacific as well as export markets further afield. In the meanwhile, hopes that China would provide a panaces for exporters have come to nought. An obsessive concern over conservation of foreign

exchange reserves that have been depleted alarmingly since 1978, has kept import demand on a tight leash—even perhaps to the net detriment of the

For all the problems faring conomies around the Pacific, it has been clear over the past decade that they have a vitality no longer evident in many maturer economies in Europe-and the implications of this in trade terms are obvious.

David Dodwell



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Regional Financial Centres

Puzzle for the markets

THE PROSPECT of financial that is more imaginative than liberalisation in Tokyo has now placed a large question mark over the future of Hong Kong from foreign governments, notand Singapore, which are currently leading financial centres in the Asia Pacific time zone, ling of capital, Japan is gradular providing key links in the 24 capital trading clock.

Citicorp has now relocated citic institutions and is reducing

Citicorp has now relocated cial institutions. its Asia Pacific headquarters to restrictions. Tokyo from Hong Kong in anticipation of gaining improved access to Japan's vast capital

necessarily going to spell the death knell for Asia's other financial centres. Indeed, growth in all centres seems the most foreseeable future, despite some

Singapore grew strongly through the 1970s as the centre of the Asian dollar market and has excelled at foreign-exchange trading, interbank lending and offshore deposit taking. Singa-pore has provided much of the funding for financial activities in Hong Kong, where the freer regulatory environment helped encourage growth of fund management, loan syndications and capital market activities.

Singapore is now beginning to make a hid to capture some of those activities from Hong Kong. The Monetary Authority of Singapore (MAS), the islandstate's quasi-central bank, is in the process of redrafting some basic banking regulations with an eye toward encouraging local financial institutions to begin offering the plethora of new instruments that have taken hold in Hong Kong and alexambase to the world.

Singapore and Hong Kong grew into the funding centres of the region, the booking centres for sovereign and private lending, while the Japanese banking system remained closed and tightly regulated. In the mean time, Japan's huge capital

It seems almost inevitable that the sheer volume of activity in Tokyo will grow to a and liberal market," says an point that it will fower over Australian banker. "Its market Asia's other centres. Yet a number of factors will confinue to make Hong Kong and Singapore attractive. These include relatively friendly regulatory and tax regimes, something that

both cities are sure to use to

compete on equal grounds with Hong Kong and Singapore for offshore business, but these smaller centres have a large headstart and they are likely. to continue with strong efforts

Hong Kong and Singapore have the experience, the expertise, and the infrastructure in place and running.

Hong Kong enjoys the

is comprised of highly profes-sional operators not only skilled in moving money, but with a sound understanding and appreciation of China." China is frequently cited as

Financial liberalisation is not necessarily going to spell the death knell for Asia's other financial centres. Hong Kong and Singapore are likely to see further growth as key links in the global MAS has come a long way in changing its attitude toward centres. Hong Kong and Singapore are likely to trading clock.

compete fiercely for business, lower operating costs, and the important regional, as opposed to global, roles that both Singapore and Hong Kong will in any case continue to play.

Tokyo is expected to proceed with plans far an offshore market in Tokyo this Decem-ber. The market will involve a fairly rigid separation between Although withholding tax on interest and interest rate controls will not apply, local municipal taxes will. A variety of other restrictions will continue to apply and will likely make the market less attractive to it than others in Asia.

This is not to say that Tokyo will never be in a position to

Kong's future out of a belief that China will see the advan-tages of having a modern, inter-national financial dynamo on its shores, and will make the efforts to keep it going and to tap into it even after it takes over the colony in 1997. (Although the opposite argument—that "China will destroy it " I also keep!

it "—is also heard.)
Hong Kong's "regional" role
as the link between China and
the rest of the world seems
sure to guarantee that a ciffical
mass of local business will contime to help support a broader range of activities. Heng Keng's legal system and English speak-ing background are also a pins for the international community. These same advantages apply for Singapore. A banker in

Singapore speaks of his local staff of 35 foreign exchange dealers as "natural traders." Communication and other infraare superb, something that is vital when millions of dollars of foreign exchange are sloshing in and out of branches.

Singapore has reduced taxes and pension fund requirements that has signifi-cently reduced the cost of running an office. Specific tax incentives are offered for off-shore dusiness.

In the coming months the Singapore Government plans to introduce a new market for government bonds. The Government does not need to raise funds, but the bonds will serve the purpose of establishing a risk-free benchmark price for securities. On the back of this, the Government hopes to foster the growth of markets for cor-porate bonds, negotiable certificates of deposit, and other

new types of product. Citibank recently issued the largest-ever single Singapore dollar negotiable certificates of deposit. of \$\$100m, at coupen rate of 67/16, with a five year maturity. The issue was a surprising success, surprising because the pricing was thought to be too tight, but it helped plug a gap in the shortage of medium and long term tradeable instru-ments. Overnight fund rates are

down to about 2 per cent. Citibank was able to negotiate a four-year moratorium with the MAS on reserve requirements on the issue, bringing down the cost structure and making it

competitive.

The growth of capital markets in Singapure has been labilitied by regulations that have led to very different cost structures for different financial structures for different financial institutions. The MAS is currently working on new rules in assured partly stung, the region is recognised its location at the to have rich potential for development.

Tokyo, of course, has the development.

Tokyo, of course, has the able future, most observers are betting that will not happen.

Singapore's role as a financial recession, and banks have been Singapore and Hong Kong if it makes a real effort to compete



Traders on the highly automated floor of the Tokyo Stock Exchange: it seems inevitable that the sheer volume of financial activity in Tokyo will eventually grow to a point where it will tower over Asia's other centres



The packed trading floor of the Tokyo Exchange

Impact of economic liberalisation

Important moves towards regional integration

A TREND throughout the traded on the first day of Pacific Rim is coming of age. operation was indeed a small Governments in the region are beginning, but the opening of reducing their involvement in a stock exchange is just the managing economies, pulling latest striking symbol of economic trade barriers, and allowing private sector financial Since the death of Mao, alinstitutions to determine investment flows, with ever greater foreign involvement.

It is a curious trend because it appears not to stem from a single cause. It comes from a set of disparate developments in different nations, but the out-come has been similar and self-

The resulting increased opportunities for trade and investment both within and across national houndaries are gradually forging an integra-tion among the region's econo-mies that in turn is bolstering a tense of regional identity.

The trend is an historic one, and if a common thread exists, and if a common threat exists, it is the passing of the post-World War II, post-colonial era, along with the belief that only centralised economic control by

counterproductive.

In Singapore, it took a wrenching economic downturn, the first in the island-state's 20 year history of unimpeded growth, to produce admissions that the Government did not indeed have all the answers. The Singapore Government is

now trying to clear away a decade has resulted in a rush clutter of unnecessary red tape of new foreign entrants ento and plans to divest much of its that market.

Authorized new hos some 19h

unist Revolution.

At the same time, on a reciThe 80,000 yuan of shares procal basis, the Australian

Since the death of Mao, almost exactly 10 years ago, China has progressively turned away from a centralised, Stalin-ist model of economic developist model of economic develop-ment and has provided a shock for the world on at least an annual basis—free markets, de-collectivisation of agriculture, ever more liberal rules for foreign investment, and, new,

legal trading of company shares. China's pragmatism has been matched elsewhere in the region. China and South Korea, locked in bitter hostility since the Korean War over 30 years age, have quite recently become major trading partners, and the first experimental South Korean investments in China have already becur. China have already begun.

Even trade between China and Taiwan has flourished, and trade with Indonesia has resumed after a long, bifter break in relations.

a long, bitter oresk in relations.

China has not turned completely from socialism, and the conomy is still wracked by price distortions and severe implement of strong government chirection over the economy, as in South Kores and in Japan, appears to have made government regulation reduced.

These have lifted the Chinese economy from the stagnation of Mao's late years and the trend now appears irreversible.

The changes in other nations, while less striking, are having a similar effect. The liberalisa-tion of the Australian banking

The most dramatic and the most significant shifting of gears in China. Late September, china opened the doors on a new stock exchange in Shanghai, the first such exchange to operate since the 1949 Communist Revolution.

The most dramatic and the foreign merchant banks operation in the country, and their presence is spurring the more traditional, conservative Australian commercial banks to catch up on a range of modern investment banking products.

of banks have fanned out through the Pacific Rim, largely in pur-of suit of trade-based business, the This year alone Westpac, the mest aggressive of the Austra-lian banks, has established branches in Seoul and Taipet, and floated a share issue on the Tokyo Stock Exchange.

Some of the impetus for change has come from the US, which has acted as a battering-ram to force concessions from the region's success stories— particularly Japan, Korea, and Taiwan.

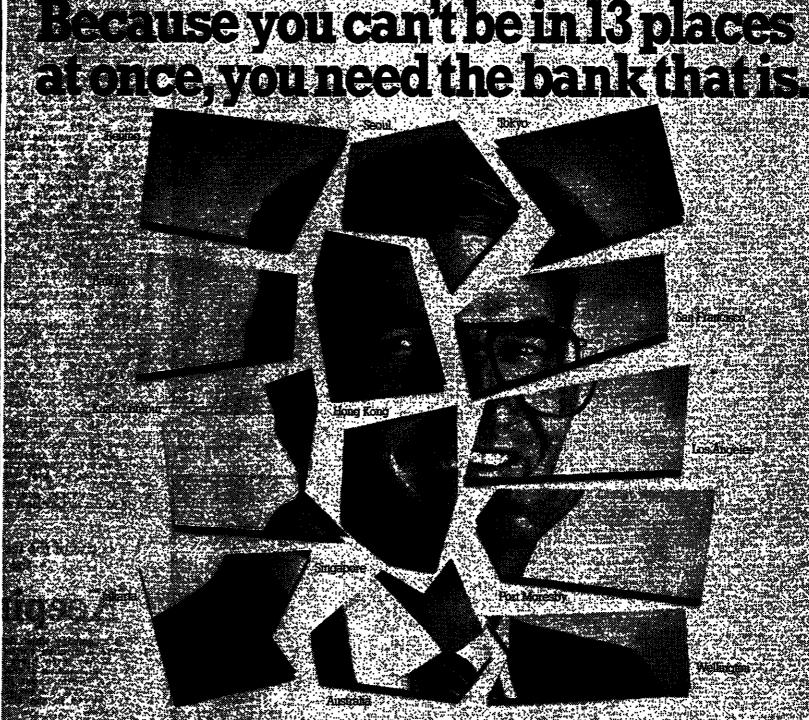
Talwan.
US pressure has led all these governments to quicken the pace of trade liberalisation, and has prompted further opening of service sectors to the outside. The changes in Korea, while gradual, are none the less sweeping in scope. In 1887, the Government plans for the first time to the the street was to the page of the street market. comes at a time when the Government is gradually stepping back from its handson management of the economy, is trying to strengthen the commercial banks so they can act prigrational thanks and is trying to mercial banks so mey can act independently, and is trying to foster growth of small companies that can compete on equal grounds with huge conglomerates that were the product of the past decade of light Government control.

In the Philippines, the Government is divesting massive corporate holdings built up under the Marcos era, and freeing the banking sector, and this has produced a flurry of interest in, and the first really an years, on the Marile stock markets. the Marila stock markets.

The realisation of a Pac Rim economic community is a very long way off, despité a spate of scholarly and Governthat back the idea.

But the Pacific Rim has come ing way. Less than a decade ago the region's economics were typically insular and highly regulated. Now separate, unco-ordinated moves toward economic liberalisation have set nearly all nations in the region in the same direction and have made integration a reality.

Steven Butler



L'hereveuvou e aomis mamèss in sic/Paonic regionavou re close

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Price falls could hinder new industrial projects

modities to the economies of earnings.

Malaysia, Indonesia, Thailand and Phibopines has gradually especially especially lessened with growing industricitisation. Nevertheless, the recent fall in the price of commodities such as fin, paim oil, in 1986 to 50 per cent of modities are economically as a such as fin, paim oil, in 1986 to 50 per cent of 1975 and Prohippines has gradually lessened with growing industrislisation. Nevertheless, the recent fall in the price of commodities such as fin, palm oil, rubber, and especially petroleum threatens to undermine leum threatens to undermine the vital new role natural resources play as a fuel for industrial development. It is true that the Philippine It is true that the Philippine economy depends much less on sugar and coconut oil than in the days before the Second World War. In 1984, semi-conductor devices, garment manufacture and electronic microcircuits were among the top four exports, while coconut oil slipped to third place.

In Thailand, a land forever associated with flowing rice paddies, manufactured exports

paddies, manufactured exports of about \$3.3bn almost equalled the \$3.4bn earnings from agricultural products.

Even resource-nich Malaysia worked bard at attracting investment from multinationals such as National Semicon-ductor, AT & T and Ericson and has become an assembly centre for computers and telecommunications equipment.

Last year saw the launch of the first Malaysian car from the Proton factory, a joint venture between Heavy Industries Corp of Malaysia and Mitsubishi of

Japan.
In that year manufactured goods, including thermionic valves and tubes, accounted for 40 per cent of Malaysia's total export earnings of M\$38,327m. Nevertheless in all these countries the dramatic fall in earnings from surplus raw materials due to glutted markets, product competition and substitution, and protec-tionist policies has slowed investment in industrial devel-

Nowhere was this damaging trend more evident than in Malaysis, the world's biggest tin and rubber producer, fourth in the list for palm oil, and a country almost self-sufficient in petroleum. In 1985, primary commodities excluding petro-leum still accounted for 39 per

Rubber prices declined 16 per cent in 1985, and tin traded well below the International Tin Agreement floor price.
Consequently Malaysia's export earnings from primary commodities dipped by 5.3 per cent from M\$15,796m in 1984

Economic gloom has diswell. Reportedly only a third of the M\$1bn New Investment

of the Malon New Investment
Fund set up by the central
bank a year ago to assist productive new investment in
Malaysia has been committed.
For Indonesia, the oil price
fall dramatically affected
development in 1985 revenues from oil and liquefied natural gas almost halved to US\$12.4bn. The Government countered the

Natural resources have a vital role in helping to fuel industrial development in the Pacific Rim nations. Countertrade arrangements, linking commodities to manufactured goods, are one way that the region is seeking to push up sluggish commodity sales.

to M\$14,957m in 1985, an plunge in oil income abysmal performance compared rephasing development to the 9 per cent average jects and boosting the ex wth recorded between 1970

linking commodities to manufactured goods, such as latex rubber gioves, continue to grow

One broker with a leading trading company in Southeast Asia believes that "the push into technology has been somewhat unsuccessus hecause "a large amount of because "a large amount or Malaysia's development budget comes from surplus commodi-

manufacture fell by the way-

Multinationals National Semiconductor have establishe dassembly plants for value-added export orientated industries, he says—"But in terms of encouraging home-

rephasing development projects and boosting the expor

region, investment moved slowly, domestic markets for consumer goods dried up and exports faile dto expand at the 1984 pace, due to both tough

only 1.9 per cent against 6.1 per cent registered in 1984.85. Under the new austerity budget the Government was forced to cut its development As those prices fell, "capital forced to cut its development spending and the promotional budget, for th first time in 20 activities necessary for major years, by a swingeing 22 per

development are having disrup-tive social and political conse-quences. As the agriculture-related businesses begin to falter unemployment in the

ment has not been so success- in search of work.

For instance, in Thailand seven out of ten workers are employed on the land. About half of the country's more than 20.000 ricemills are said to be bankrupt, a situation aggravated by the recent US imposition of export subsidies on American rice. So memployment is already a growing problem and mass desertion from the land in search of work in the cities could shake the country and the Government.

However, Government plan-ners are taking action. Thainers are taking action. That-land's Board of Investment started to actively support agribusiness two years ago when a joint study discovered food processing was a major industry, with annual sales of almost 200,000m baht and an average annual growth rate between 1980 and 1983 of 23 per

Consequently, the latest five-year plan announced last month charts a development course ervices. Malaysia's newly implemented

Industrial Master Plan targets rubber, palm oil, food, and timber industries as among its top priorities for diversification. Malaysia, at the moment, processes less than 7 per cent of its raw materials.

So, for instance, government

incentives will pour into en-hancing the rubber tyre indus-iry for export. The becalmed palm oil industry will be given more money to expand into new markets for value-added aleochemicals and specialist human foods.
In particular, the American

snack food industry looks tempting. Researchers at the Palm Oil Research Institute of Malaysia are looking at ways of atlering the fatty acid content of palm oil to render it more unsaturated, and thus more attractive to health-conscious Americans who currently buy soyabean oil to help ward off

Stephanie Yanchinski



Manufacturing Industries

Now Japan is looking over its shoulder at Korea

manufacturing industry in the West, you are likely to find it rising in the East. This observation used to be true mainly in reference to Japan but these days even Japan is looking over its shoulder, particularly at Korea, which is now challenging with large companies that are growing more sophisticated in both technology and inter-national marketing.

The challenge from Asia is

most firmly rooted in low-technology, labour-intensive industries. Now the shops of women statching together shirts or soldering transistors on to a circuit board have given way to gigantic steel mills, semi-conductor clean rooms and

developed, it is bought.

The myth that the East is only capable of copying inventions in the West is also now slowly crumbling in the wake of Japanese advances in tech-nology and design. Japan has an unquestioned lead in manufacturing technology, which is a major reason why North America and Europe are auxious to receive Japanese

Korea is also now producing some surprises. An IBM clone computer desgined by Daewoo Telecom and marketed in the US by Leading Edge set the pace for the IBM clone market with a number of simple design innerestors. innovations, plus an attractive price tag, that made an instant hit in the marketplace.

Design and technological in-

vocation, however, are not the mainstay of the Korean success story. Rather it is continually moving up the technology curve. at a pace that has kept wage productivity, and product quality constantly one step ahead of the international com-

the huge success of Hyundai Motor's Pony Excel in the US market. The car is not the most advanced on the market, far from it. But with prices starting at just US\$5,000 it has been judged an excellent value order in small lots, has frequency turned up happy in sumers this year, pushing Hyundai past its first year sales goals in just nine months. That makes if the most successful export automobile industry.

panies in light industries that portant role in Singapore than have shown a remarkable in the other NICs. Singapore ability to shift gears in response developed an early lead in teletochanging world market con-A disgruntled buyer in Korea, disapointed by the inability to order in small lots, has fre-

Despite the lack of significant resources other than human ones, there is a willingness to work long hours to get ahead—a fact that is obvious from a quick walk through the factories of the Pacific Rim countries.

foreign car ever introduced in Japanese manufacturers have the US market. Despite Korea's startling recent advances, it is still the poorest on a per capita national income basis of Asia's four newly industrialised countries (NICS), which also include Taiwan, Hong Kong, and Singa-

pore.
These countries ended World War II at a higher level of development than Korea, and for reasons stemming from their natural attributes and differing national development policies, they have followed a very different course of growth. They do not have the large com-panies that can move rapidly into sophisticated areas of industry and command, indi-vidually, significant sections of international markets.

Taiwan, the nearest competi-tor to Korea in terms of size (with a population of 19m com-pared to Korea's 42m), has been

island as a cheaper off-shore production base for automo-biles. There is little question, however, of Taiwan mounting this drive under its own steam.

Hong Kong and Singapore,
the wealthiest of the NICS, have
developed on the back of huge entrepot business deriving from their strategic locations Hong Kong as the gateway to China and Singapore as the ful-crum between the Far East and

Both are free ports that welcome foreign investment. Development was led in Hong Kong by textiles, and little Hong Kong is now the largest exporter of textiles in the world, followed by Taiwan and Korea. Hong Kong has also emerged as a significant manufacturing centre for toys and electronic goods.

Textiles played a far less im-

communication equipment, office machines, generators, and petroleum products.

Refined petroleum product

account for about one-third of Singapore's manufacturing out-put. Shipbuilding was also once an important business, although this has declined along with the

world industry.
Singapore, with a population
of just 2.5m people, is trying
to position itself for the future by emphasising speciality areas, particularly in electronics, that require a more highly skilled labour force.

The fundamentals behind the growth of manufacturing in been similar. They all lack significant resources other than human ones, yet they have proven that only human resources are necessary to prompt industrial growth.

All have been heavily influenced by Confucian rationality, based on a Chinese tradion which highly values education. This cultural background has resulted in a relatively educated labour force compared with other countries at similar levels of economic

development. —the drive, the willingness to crum between the Far East and work long hours to get ahead. Europe and as the centre of that is obvious from a quick. South-East Asia.

BHP is one of the fast-growing world companies of the Pacific Rim region. In 1985-86 it became the first Australian concern to earn more than A\$1bn a year.

Keeping the shareholders happy

market capitalisation of the in-ternationally better-known News Corporation and is a major, if low-key player in the US re-

BHP's weighting in the main Australian share market baroneter, the All Ordinaries Index, is such that its share price fluc-tuations are crucial to local share market movements, and when it reported recently for 1985-86 it became the first Australian concern to earn more than A\$1bn in a year.

Familiar role

Yet it was only three years ago, after a century in business, that the steel and resources congiomerate became as familiar to the international investment community as a news corpora-

That was not all its own doing. It was the work of a West Australian entrepreneur. Mr Robert Holmes a Court, who indicated his indifference to the management denies and, to be local share market's valuation fair, it was BHP has been doing of the company by bidding for

Three years later, after 1985-86. initially being laughed out of The company basically con-Melbourne, the headquarters of centrates on three businesses, Holmes a Court surveys the and its effort to get a 30 per profits come from its Bass

Newcomers

When Mr Holmes & Court took the stage on September 24 for the BHP annual meeting, just a week after being appointed a director along with the other newcomer, Mr John Eliiott, he was placed at one end of the 12 long-serving directors and Mr Elliott was placed. tors, and Mr Elliott was placed at the other.

However, between the two of them the newcomers speak for in the current year.
almost 50 per cent of BHP.
Times change.

But this was more by the performance of

The applause that the record turn-out of 3,500 share-holders lavished on their new directors when they were introduced at the annual meeting showed that they attributed BHP's recent improved performance as much to their presence on the share register as to the normal motivation of

well for all those years that delivered its A\$1bn surplus in

The company basically conthe so-called Big Australian, Mr petroleum, minerals and steel

BHP is a company which dominates the Australian corporate share register and, finally, from scene. It has three times the hoardroom.

BHP scene from the top of the integer profit of A\$1.01bn. Strait oil fields where it and in the year when most large joint venture partner Esso resources enterprises in the market capitalisation of the integer profit of A\$1.01bn. Strait oil fields where it and in the year when most large resources enterprises in the world were in recession, augurs rates in 1985-86.

world were in recession, augurs well for the first time more than half, 51 per cent, of the company's A\$8.5bm of sales were achieved outside Australia. BHP even managed to achieve an increased profit contribution from its petroleum division over the year of 4 per cent at A\$10m although the impact of the lower world oil price hit it worst in the last quarter and

worst in the last quarter and will continue to be a dampener But this was more than offset

by the performance of the min-ing profits, up 63 per cent to A\$335m, and the gains achieved by the steel division, up 54 per cent to A\$254m BHP chairman Str James

Balderstone told the recent Chile, annual meeting that first cent quarter profit of the company Esc in the New Year was 40 per cent lower at A\$182m, but that cent lower at ASISM, but that tion (30 per cent) and Mitsu"directors caution against multiplying this result by four to
calculate the year's result.

while the control of the control

"In fact, we look forward to better results, although it will be difficult to equal last year's profit unless trading conditions, particularly oil prices, im-

BHP's petroleum division

This division will also get significant profits from the North West Shelf gas project in the 1990s when it will be supplying 6m tonnes of liquefied natural gas a year to Japan. The US oil and gas contribu-tion to BHP will also be significant following its purchase of

the monsanto oil company.

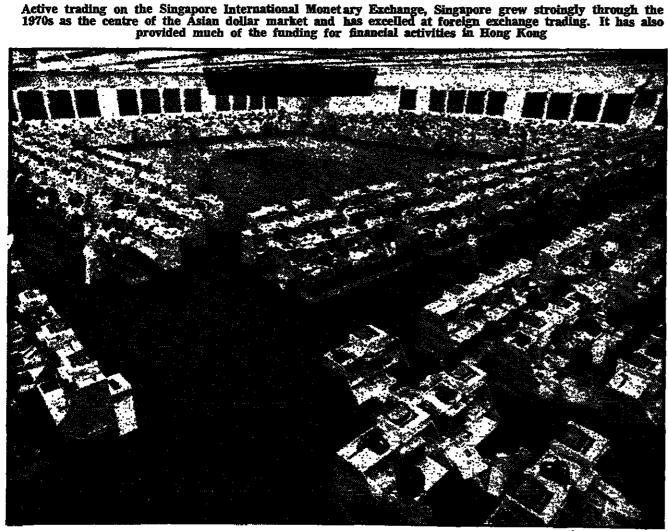
Minerals

In the minerals division, BHP's revenue comes from iron ore, coal, gold, copper, alumina, manganese and mineral sands. It owns major US coal concern Utah International and this year increased its stake in the Escondida, Chile, copper deposit to 60 per

Escondida which BHP owns with Rio Tinto Zinc Corpora-

in the world. achieved its second record profit in a row.

Robert Kennedy



The floor of Hong Kong's newly unified Stock Exchange, which took over the business of four

local exchanges earlier this year. The domestic capital markets are continuing to grow after an explosion of business during the past two years. The new financial futures market in Hong Kong is also very promising. Meanwhile,

foreign banks, stockbrokers and corporations continue to set up business in the territory. To many observers, it appears that financial and other services provide the key to Hong Kong's future after Chinese sovereignty comes into effect in 1997. Manufacturing industry is nevertheless the foundation of the territory's success.

Period of major expansion

"THOUGH we benefit as an airline from the British con-nection, from Hong Kong it is inevitable that we look east towards the United States," eave Mr Rowland Cobbold, Cathay Pacific's marketing manager. "The trouble is, the routes are long, competi-tion is fierce, and yields are

Like other major cities along the western rim of the Pacific, the powerful growth in trade and investment flows across the Pacific has led to major expansion of transpacific atribus traffic. In 1985 aione, there was a 16 per cent growth in sont availabil-

cent growth in sent availability across the Pacific.

Not only have flights along the main actery—thining Japan with the US—continued to grow, but traffic to mainland China, Korea, Heng Kong, Taiwan and South East Asia has burgeoned as businessmen have turned to the Pacific for deals to renince Pacific for deals to replace those in the flagging econo-mies of Europe and the

Four airlines dominate the Pacific air routes—United Airways (which recently took over Pan-Am's Pacific routes) and Northwest Orient of the US, and Japan Airlines and All Nippon Airways of Japan.

These airlines together account for 82 per cent of the 74,000 scars available weekly across the Facilie, and provide direct evidence of the dominance of traffic between Japan and the US. In 1985, there were 237 flights a week between the US and Japan. But the new-generation Boeing 747s, with their en-hanced long-haul capabilities. hanced long-hand capabilities, have brought a number of competition for transpecific passengers. Cathay Pacific, based in Hong Kong, new files non-stop five times a week to vancouver, travelling on to San Francisco, while Singa-nors Airleans, while Singare Airlines now operat pore auring 15 filghts a week via Tokyo

to Les Angeles.

Philippine Airlines, Thai
Airlines, CAAC from mainland China, as well as
carriers from Kores, Taiwan

ating directly to the US.

Almost all have in the recent past added new route or are planning to introduc them in the near future. Northwest Orient, which currently operates 128 flights weekly across the Pacific, is focusing expansion efforts on South Korea, while Japan Afrikus has recently begun flights to Affanta as its sixth

US gateway.
Singapore Airlines hopes to begin flights to Vancouver, Chicago and New York, while That Airlines has enhanced its services to Seattle, Cathay Pacific, which only began flying to North America in May 1983, has recently boosted frequencies to Vancouver and San Francisco. couver and San Francisco, but plans no major additions until Boeing's new long-baul 747-400 comes into operation

Pattern develops

In a pattern that is perhaps typical of a number of major Asian sirlines, Cathay has emerged from a point in 1980 when it operated services only inside Asia to a point today where over 50 per cent of earnings are accounted for by long hand routes—to Europe, Anstralia and North America. London remains its main, long hand route, but it is noot whether this will still ha they care to fire years. be the case in five years

"Transpecific truffic has to grow in importance," says Mr Cobbold: "the US population in Asia is bigger than the European papulation, and trade and investment flows trade and investment flows between Asia, and North America are much greater. There is no aveiling the fact that the US exerts much greater influence in Hong Kang than Europe does—in spite of the benefits we get from the Eritish colonial connection.

connection."
Further impotes on transpacific routes is likely to come early in 1989, when the Bocking 747-400 comes into operation. This aircraft, which combines the seat capacity of the stretched upper-deck Bocking 747-300

with the long-hand capabili-ties of the 747-200, is expected to revolutionise the economics of transpecific

This year is likely to be a better-than-usual year for carriers across the Pacific. A surge in tourism westward from the US, largely shaked with worries about terrorism in Europe, has beested alreraft capacity, as has the world expe in Vancouver, and the Asian Games in South

Korea.

Evit most Asian carriers are nervous about the emergence of the powerful United Airlines as a major competitor in the Pacific. United has recently declared its intention to double its transnon to double as trans-pacific traffic by 1991. Main attention is evidently being feensed on South Korea and Taiwan as well as Japan and

Heng Kong.
If this is achieved at the expense of other airlines, then the balance sheets of some carriers are going to look rather sick two or three wars from now.

look rather sick two or three years from now.

Many carriers are nevertheless predicting passenger growth of over 10 per cent a year over the next few years — in part because of events like the Olympics in Seoul in 1988, but largely because of the strong economic growth still being recorded among the east Asian economics.

The continuing emergence

The continuing emergence of China as a trading partner and a destination for foreign investment under the open door policies of Deng Kinoping is also likely to provide a strong stimulus for gateways like Tokyo and Hong Kong.

Kong.

Even if traffic growth is shared equally, it appears likely that competition will remain fierce, and route profitability low. Mr Cobbold at Cathay probably reflects the views of many competitors when he notes: "Opening upone rante to Vancouver was when he neces: "Opening up-our route to Vancouver was easier, because we were in competition with only one other carrier. Going to the west coast of the US was a matter of joining the rat race

David Dodwell



Cathay Pacific aircraft in Hong Kong-one of four airlines that dominate the highly-competitive transpacific aviation business

Communication Systems

Big investment in new networks

THE NEWLY - industrialising between the industrialised NICs countries—the NICs—such as in the North, and more agricultong regard modern telecommunications as essential to their for instance, Indonesia's economy has been one hit rapidly developing economics. Despite fittery world markets, the NICs continue to invest in the most modern communication technologies, including underwater fibre-optic cables, to

modernise their communication So in June, telecommunica-tions utilities in Japan, South Korea and Hong Kong gave the go-ahead to construction of Asia's first long-distance under-

water network.
The undersea "light highway" to stretch between Hong Kong and landfalls near Seoul Kong and landfalls near Seoul and Tokyo, will cost US\$200m and link-up with other fibre optic cables crossing the Packic Ocean to the United States.

This heavy investment is expected to buy at least five times the existing telecommunications capacity and the clear, uninterrupted communications essential for electronic data transmission. and video com-

essential for electronic data transmission, and video conferencing which increasingly underpins modern business.

But the economic slump in the Asean region has forced some government. the Asean region has forced Singapore telecommunications some governments to slow down investment in revaluation of the communications and the communications are the communications and the communications are the communications.

This trend threatens to open up

systems.

south.

For instance, Indonesia's economy has been one hit especially hard by the fall in oil prices, and has had to postpone putting out to tender a contract to install digital switches worth \$1.2bn.

director of Northern Telecoms
Assan says "financing and price
are more important" than
acquiring the latest technology
everywhere in the region
except Brunei and Singapore.

"For the first time," he says,
"customers are willing to
forgo a great deal technologically for a very small
price differential."

Even Singapore, locked in a director of Northern Telecoms

Even Singapore, locked in a flerce battle with Hong Kong to become the foremost financial centre in the Pacific Rim, bas temporarily put on hold plans, which would have cost \$2500.

nost edvanced in Asia outside communication can be un. The Makysian telecoms of Japan. Singapore Telecoms reliable.
This difficulty will be eased refused permission to use Telecoms equipment and help, by the recent inauguration in equipment which would double

one of the most sophisticated Singapore of a \$396m under the speed of sending data down switching systems outside of water cable linking Singapore the line, and thus halve National North America.

Telecoms has just signed a Diibouti, Sandia Arabia, Egypt, tions costs.

\$\$90m deal with AT & T to expand Singapore international connections, with advanced digital equipment.

Telecoms spends an average of \$600m a year on upgrading its sophisticated services which already offer an electronic mallbox service similar to Telecom Gold, called Telebox and Travelnet, a travel information and reservation service for travel agents and airlines.

As a result of all this expenditure, Singapore has more telephones per head of popula-tion than anywhere else in the Pacific Rim, 100 times the

number in Indonesia.

"It is easier to phone Jakarta using CB radio," comments one telecommunications expert. Companies setting up in the Pacific Rim, whether North or South, face one other major problem in addition to regional differences in service. Sandra Sully, management information services director for National.

Italy and France. The new fibreoptic network linking Hong Kong, Korea, and Japan with the West Coast of the United States should be in place in

reach Singapore until the 1990s, "too late," for some multi-nationals already based there. According to National Semiconductor's Sandra Sully, her com-pany meintains its commercial edge by computerising as much of its activities as possible. This includes keeping close track of operations around the world

unications systems. The effectiveness of this system depends on rapid transmis-sion of great volumes of customer data, dactory reports and electronic mail.

So as co-ordinator in charge of facilitating such a service, Sully has been particularly frustrated at being denied Semiconductor says: "The access to satellite transmission cable circuits between the Far for the two National Semicon-East and the United States are ductor factories manufacturing almost used up" and satellite integrated circuits in Malaysia. communication can be unaccess to satellite transmission administrations are free to be for the two National Semiconmore market-orientated and to

"These are our two largest factories in the region," says Sully. "We are a very large employer," and yet "it is incomprehensible to us why the Malaysians are so reluctant" to provide better service.

However, the case of National Semiconductor in Malaysia illustrates a dilemma not faced by the more industrialised NICs up north. With few multi-nationals based in Malaysia it may be difficult to justify investing huge sums in upgrading the service, especially during the current recession which may through a massive computer see cuts in government spend-hookup operating through local ing of as much as 70 per cent in next month.

> The solution, for Dr Arthur Owen, of the American consulting firm, Arthur D. Little, is to "liberalise" and "privatise." A more effective telecommunications infrastructure will be put into place only "when the telecommunications adopt methods of management more appropriate to running a commercial high technology

. Stephanie Yanchiuski



o DIVERSITY in exports—
from cut flowers to weel:
Above, flowers are leaded on
an Air New Zenland flight for
Japan, which buys the largest
share (31 per cent) of New
Zenland's flower exports.
Orchid mies alone amount to
NZS4m a year.
Horticalinnal experts from
New Zenland are new worth

New Zealand are new worth more than NZ\$700m a year. more than NZ\$700m a year.
Kiwitruit remains the
glamour crop of the industry.
Its phenomenal success inworld markets has made several millionaires in New Zealand and it has new become
the country's top espect crop,
earning NZ\$250m in the year
up to March 1868.

Right: buyers at the Wiri
Wool Store suctions, fast esiside Anchiand. The diversity
of the Pacific Rim's experts is
indicated by the fact that it
produces 62 per cent of the
world's wool, 87 per cent of
natural robber and 36 per
cent of all natural silk.
The Asia-Pacific region has

The Asia-Pacific region has long been too wast to be a real geo-political or economic entity. Now, due to the impact of Pacific Rim industrialisation and the distance remainst tion and the distance-maini-sting capacity of modern communications, it is emerg-ing as potentially the most

There is an increasing body of opinion that the region will play the same central role in he 21st century—or somer is did Europe and the Atlantic during the Industrial Revolution and in the 20th

of this dynamic focal point of global economy are:

• The 57 countries and island states in the Asia-Pacific region contain 24bm people—more than half the world's population — and produce almost half its total wealth.

• Since 1979, Asia-Pacific countries have between them accounted for over half the world's total economic growth.

• General Agreement on Tariff and Trade (GATT) figures showed in 1984 that trans-Pacific trade for the first time. first time.

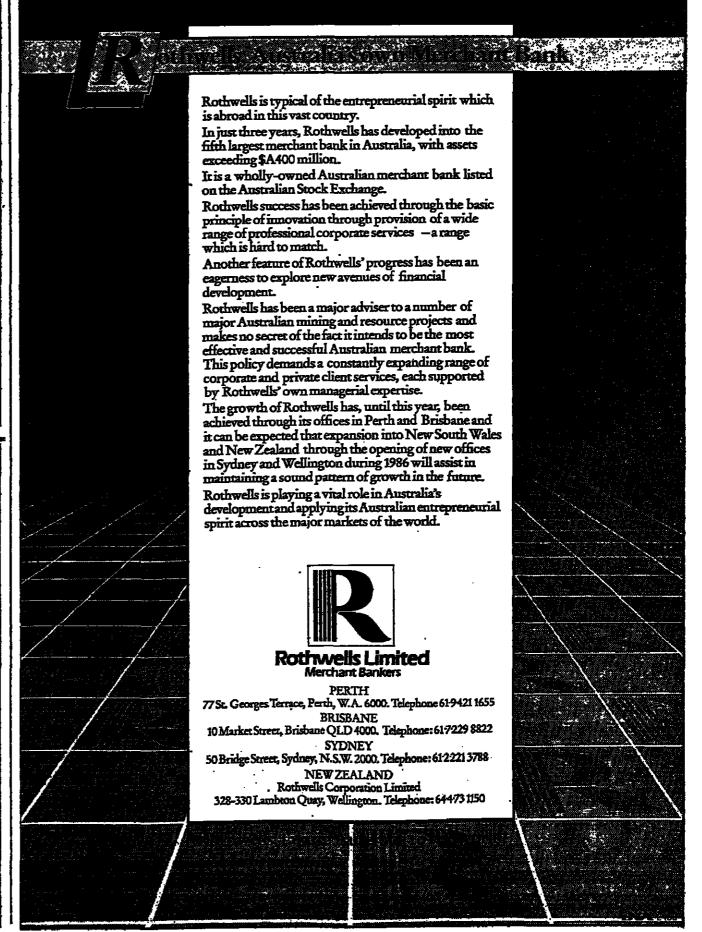
GATT figures on the 20

GATT figures on the 20 leading exporters and importers for the same year contained six Pacific Rim contained six Pacific Rim contained which had not featured on the list in 1973. They were the Prople's Republic of China, Republic of Korea, Taiwan, Hong Kong, Singspore and Mexico.

When other areas of the world experienced recession in the 1970s and 'Sas due to in the 1970s and '80s due to searing oil prices, inflation and stuggish growth, the East Asian countries of the Pacific region went against the trend and became economic pace-

petters,
Organisations such as the
Pacific Basin Economic Counell (PEEC) and the Pacific
Economic Co-operation Conference, (PECC) both of
which were formed in the late
1968s, have helped create the
environment of freer trade
has been evolute in the region.





Role of the Superpowers

Delicate balance prevails

FOR EUROPEANS and no doubt most Americans, the horrific prospect of a third world war gains considerable immediacy not just because it would be a nuclear conflict but also because it is likely to break out in the European

That, at least, is the received wisdom, even making allow-ances for the widely canvassed alternative possibility that a local conflict in a strategic area like the Gulf might equally escalate into a global affair.

Less well understood in the west is the delicate balance which prevails in the Pacific, and its importance to world security. Yet, as any cursory seramination shows, this massive "lake" has all the ingredients necessary to turn superpower rivalry into something much more frightening.

The first place for Project

In the first place, the Pacinc is an area where the two big superpowers confront each other directly. Already, two bloody land wars in the region atton and of the Pacific nation and Vietnam, have entailed superpower involvement, the control of nuclear weapons like In the first place, the Pacific while other Asian conflicts have occasioned some sort of superpower intervention. There is every reason to suppose this

South Korea and India.

South Korea and India.

Thirdly, the superpower balance is asymmetrical compared to Europe. The US presence is predominantly naval, and conducted through numerous bilateral arrangements with countries like South Korea, the Philippines and Australia, rather than more complicated and less inhibiting Nato-type alliances. Nato-type alliances.

Nato-type alliances.

The Soviet presence, on the other hand, depends more on land-based forces, most of them nuclear rather than conventional — although latterly Moscow's pacts with Victnam have given it greater air and naval penatration of the penetration of the

According to some analysts, the 1980s have seen a vigorous US military push in the Pacific, reflecting the Reagan

duction of nuclear weapons like the Tomahawk sea-launched cruise missile and the sub-marine-based Trident missile will continue.

Secondly, the world's largest system represent a determined armed forces are all in countries with interests in the Pacific. Apart from the US and the Soviet Union with the aim

has been a growing Soviet pre-sence in the region over recent years and that this must be countered. Apart from its homebased nuclear weapons, which particularly worry countries like China and Japan, they point to the Soviet Union's Pacific fleet, which is said to have expanded its reach, and they say Moscow's diplomatic and com-Moscow's diplomatic and com-mercial efforts are even more

significant.

Just how seriously this is viewed is difficult to gauge. Certainly it would be surprising if Washington was not concerned at the Soviet effort in the region, both in the north and the south Pacific.

Overtures

In the north this has included clear overtures to Peking which, if they succeed in repairing the long-standing Sino-Soviet rift, will alter most preceptions about east and south-east Asia. It has also included the prospect of improved Soviet relations with Japan. Asia's economic

At the same time Washington as been constantly worried about tensions between North and South Korea and displayed growing concern over the Communist guerrilla insurgency in the Philippines.

the Soviet Union, they include, most importantly, China and Vietnam, but also North Korea, South Korea and India.

Of winning a global or theatre established between the Filipino rebels and Moscow (or Peking for that matter), but the insurgency poses a threat to the US's strategically important air and naval bases in the country, which have long been a domestic political issue in the Philippines anyway.

The South Pacific region, for its part, has seen a concerted Soviet effort to reach diplomatic, cultural or commercial agreements with some of the many island states in the agreements with some of the many island states in the region. A controversial one-year fishing agreement with Kiribati (formerly the Gilbert Islands) shocked many. Fifi has held talks with the Soviets, and Vanuatu (formerly the New Hebrides) has also received approaches.

approaches.

Moscow's own general perceptions were spelled out most clearly at the end of July by Mr Mikhail Gorbachev, the Soviet leader, in a speech delivered in Vladivately to week vered in Vladivostok. He used the occasion to remind the world that the Soviet Union was an Asia-Pacific power as well as a Euro-Atlantic one. As if to allay Australian fears, Mr Eduard Shevardnadze, the Soviet foreign minister, is said to have told Mr Bill Hayden, the Australian foreign minister in New York in Sep-tember, that Moscow would do nothing to incite superpower rivalry in the Pacific region.

The US has also tried to play down its known worries. At a recent conference in Washingtant secretary of state for East Asian and Pacific affairs, said Soviet attempts to expand its commercial and diplomatic contacts among the Pacific island nations had not alarmed or distressed Washington and had not been well received by the coun-

One clear sign of US concern, however, is its recent commit-ment to establish diplomatic ties with Vanuatu as part of a wider push to improve relations with the Melanesian countries. Another is the attempt to negotiate a fishing deal between the US and countries of the South Parific forum, a grouping of Australia, New Zealand and 11 South Pacific island states. Indeed, many believe it is the failure of the US fishing industry to reach an understand-ing on access to these countries' tuna resources which has fuelled superpower rivalry in

the region.
In the South Pacific, two other factors have also assumed importance in the strategic equation. One is the effective collapse of the Angus alliance, the 1951 defence treaty which linked the US, Australia and New Zealand.

This followed the decision of



The 1980s have seen a vigorous US military push in the Pacific, say analysis. Above: A landing on a US aircraft carrier during military exercises

erosion of Anzus. After pro-tracted exchanges the US an-nounced in July that Washing-ton and Wellington had to part company. The net effect in strict

impaired. Australia has been left in an awkward position between two friends.

The second important factor

not to allow nuclear-armed or nuclear-powered ships into New Zealand ports.

The US, as a matter of defence policy, refuses to reveal whether particular ships are carrying nuclear weapons, and this is what lies behind the crosson of Anzus. After promoted arments the US as a feet promoted with the presence of another nuclear power in the region, France. Paris has crossed swords with Welling-testing in Mururoa atoll—a clash demonstrated most spectacularly in the Rainbow Warrior affair, in which French agents destroyed the anti-nuclear ship destroyed the anti-nuclear ship belonging to the protest group Greenpeace as it lay in a New Zealand port.

The countries of the South Pacific forum have meanwhile agreed that their region should form a nuclear-free zone. Some differences remain, but the idea has aroused interest in other parts of the world and, perhaps predictably, angered France, which has refused to participate.

Just as significant are the

France's policy towards its colonies in the South Pacific and in particular New Cale-donia. An apparent change of policy on New Caledonia's in-dependence by the government of Jacques Chirac has aroused the ire of Australia as well as South Pacific island nations.

In the big security picture, such developments probably count for less in determining the role of the Pacific strategic balance in global peace than direct relations with important countries like China and Japan. To most analysts, it is these which will ultimately determine the chances of a nuclear holo-

Chris Sherwell



Hopes for a new economic alliance

A PACIFIC region economic a community, similar to Europe's W comon market, could result from the important PacRim '86 Western Australia, in Novembe conference to be held in Perth, Western Australia, in

This is the view of the Premier of Western Australia, Mr Brian Burke, who believes that if the positive aspects of the European Economic Com-munity could be encompassed in a Pacific trade alliance it would be a great boost for Australia's future.

Many prominent international businessmen and government representatives are attending PacRim, which is shaping up as one of the most important economic conference held in Australia. Mr George Bush, US Vice President, has indiattend the event. PacRim will explore the opportunities presented to Pacific Basin countries by the shift in world economic power towards the Asia-Pacific region.

About 300 delegates and speakers have already confirmed their attendance at the conference, which will be opened by President Reagan in Many prominent international

Washington,
"PacRim is a brilliant spinoff from the America's Cup defence, which already is bring-ing thousands of noted people

to Perth," says Mr Burke. "West Australian business "West Australian businessmen will have an ideal opportunity to meet world business
and industry leaders who are
keen to expand the economy of
the Asia-Facific region.

"There is a real chance that
a new economic alliance could
result from PacRim. A conmon market or similar arangement would be of enormous

ment would be of enormous benefit to Australia." The chairman of PacRim, Mr Gary Pearce, said eleven nations

in the Pacific region had con-firmed that they would be operating national suites at the conference. The suites would be used by delegates and businessmen to explore on-going trade and investment possibilities. PacRim is presented by the Western Australian Development Corporation, with the aims of promoting trade, investment and finance opportunities between Pacific Rim countries.

Arena of growth

CONTINUED FROM PAGE 1

The transition of power, in the next few years, from one generation of leaders to another in Singapore and Indonesia carries some risks of instability.

instability.

There is no guarantee that Deng's reforms will survive him in China, although the sheer power of consumer politics may have set in motion an irreversible process of change. Despite the flexibility shown by the Chinese leadership over the issue of Hong Kong after British sovereignty ends in 1997, Peking's claim to Taiwan could still prove a flashpoint in the future.

Half a million troops still face each other across the cease-fire line in Korea and it is always possible that the growing military rivalry between the US and the Soviet Union in the yest and the Soviet Union in the vast waters of the Pacific could provoke a confrontation, intentional or otherwise.

These are unlikely scenarios, however. What has governed the broad sweep of events around the Pacific since the end of the Second World war has been enterprise and prag-matism. There is no reason to suppose that this will change in the foreseeable future.



Mr Yasuhiro Nakasone, the Prime Minister of Japen: he uses a preferred phrase of "realistic gradulation" in disships and co-operation between Pacific Rim nations. Japan has, however, been a more than willing partner in the loosely-structured organi-sations such as the Pacific which unify trade arrange-



ANZ & GRINDLAYS OPERATE A NETWORK SPANNING 47 COUNTRIES.

The Australia & New Zealand Banking Group with its acquisition of the UK based Grindlays Bank, has established a formidable presence on the international banking scene with Group assets of over USD30 billion. An asset base that spans

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